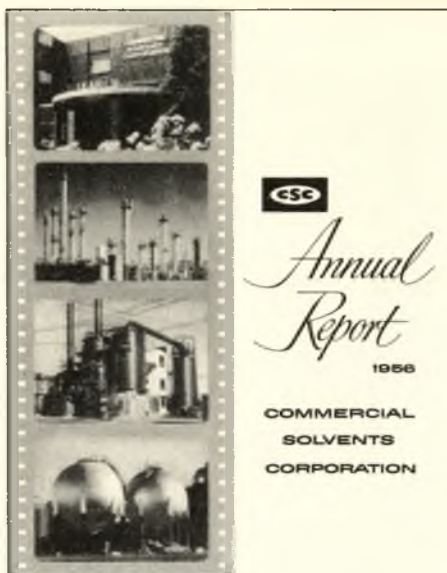




Annual Report

1956

**COMMERCIAL
SOLVENTS
CORPORATION**



Central Research at
Terre Haute, Indiana.

First commercial nitroparaffin plant
at Sterlington, Louisiana.

Recently completed sulphuric acid
plant for Northwest Nitro-Chemicals at
Medicine Hat, Alberta.

Storage spheres for
anhydrous ammonia.

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- 14 Northwest Nitro-Chemicals Ltd.
- 16 Products and Plants

37th

Annual Report

1956



COMMERCIAL
SOLVENTS
CORPORATION

GENERAL OFFICES:

260 Madison Avenue, New York 16, N. Y.

BOARD OF DIRECTORS

J. ALBERT WOODS*

WILLIS H. BOOTH

ARTHUR B. LAWRENCE

THOMAS S. CARSWELL

LEROY A. LINCOLN

HAROLD W. COMFORT

JEREMIAH MILBANK, JR.*

SYDNEY T. ELLIS

CARL S. MINER

WILLIAM E. S. GRISWOLD, SR.

ERNEST W. REID

HAROLD H. HELM*

HENRY V. B. SMITH*

AUSTIN S. IGLEHEART*

MAYNARD C. WHEELER

*Member of Executive Committee

OFFICERS

J. ALBERT WOODS

President

MAYNARD C. WHEELER

Vice President

SYDNEY T. ELLIS

Executive Vice President

HOWARD L. SANDERS

Vice President and Treasurer

W. WARD JACKSON

Vice President

JOHN A. UHL

Controller

THOMAS S. CARSWELL

Vice President

ALEXANDER R. BERGEN

Secretary

TRANSFER AGENT

GUARANTY TRUST COMPANY
140 Broadway, New York 15, N. Y.

REGISTRAR

THE CHASE MANHATTAN BANK
11 Broad Street, New York 15, N. Y.

ANNUAL MEETING

The annual meeting of shareholders will be held on April 4, 1957. A notice of the meeting, proxy statement and form of proxy will be sent to all shareholders shortly. It will assist the management in preparing for the meeting if shareholders who do not expect to attend the meeting in person will sign, date and return the proxy promptly.



RESULTS AT A GLANCE

For the Year Ended December 31,

Financial and Operating

	1956	1955
Net Sales	\$58,745,254	\$56,623,754
Federal, State and other taxes	\$ 3,338,297	\$ 3,106,677
Earnings		
Before extraordinary items	\$ 3,163,307	\$ 3,138,864
After extraordinary items	\$ 2,830,591	\$ 3,451,813
Earnings per share of stock		
Before extraordinary items	\$1.20	\$1.19
After extraordinary items	\$1.07	\$1.31
Dividends paid	\$ 2,636,878	\$ 2,636,878
Per share of stock	\$1.00	\$1.00
Land, buildings and equipment additions		
Expenditures during the year	\$ 3,963,968	\$ 3,966,029
Authorized but not expended	\$ 5,096,000	\$ 258,000
Working capital at end of year	\$24,747,970	\$25,720,785
Long-term debt	\$23,440,000	\$25,000,000

Employees

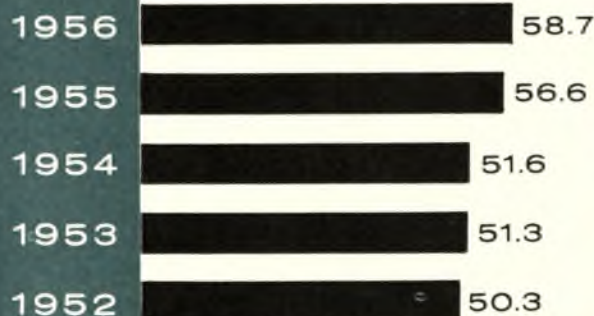
Number of employees at end of year . . .	1,959	1,993
Wages and salaries	\$ 9,895,028	\$ 9,689,954
Cost of pension and other benefits	\$ 856,390	\$ 828,333
Assets employed for each employee . . .	\$ 38,071	\$ 36,340

Shareholders

Number of shareholders at end of year . .	18,934	19,233
Number of shares outstanding	2,636,878	2,636,878
Shareholders' equity	\$38,471,038	\$38,277,325
Per share of stock outstanding	\$14.59	\$14.52

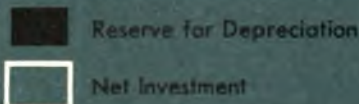
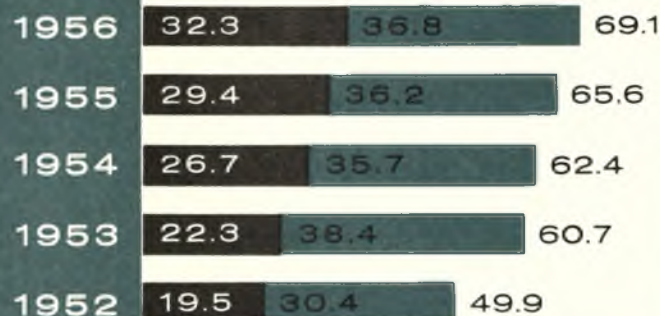
NET SALES

(MILLION DOLLARS)

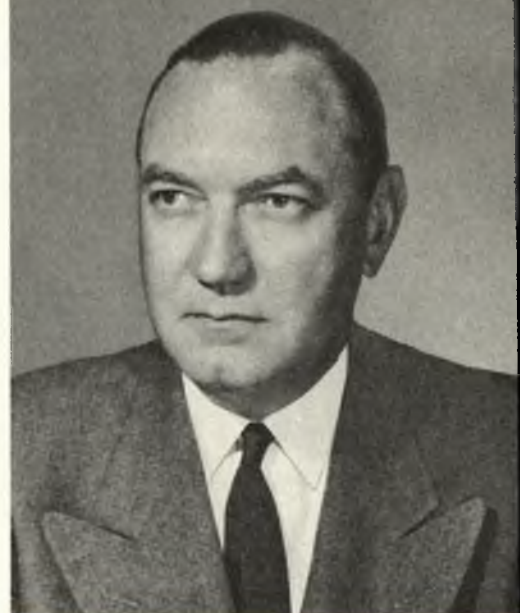


INVESTMENT IN PLANTS AND FACILITIES

(MILLION DOLLARS)



THE PRESIDENT'S LETTER



J. Albert Woods

To Our Shareholders:

The Company's long-term program for decreasing dependency on specific markets and products showed further progress in 1956. Over-all sales increased. Earnings from operations were approximately the same as the previous year. Net earnings, after extraordinary items, were lower than 1955.

Continuing emphasis was placed on new products. Most important of these were the nitroparaffins group of chemicals which completed their first year of commercial production, and cycloserine, the tuberculosis antibiotic.

Further diversification of our activities and interests was achieved in 1956 with the startup of commercial operations by our Canadian affiliate, Northwest Nitro-Chemicals Ltd.

FINANCIAL

Earnings before extraordinary items in 1956 were \$3,163,307 or \$1.20 per share of common stock. This compares with \$3,138,864 or \$1.19 per share in 1955. Net earnings in 1956, after extraordinary items, were \$2,830,591 or \$1.07 per share as compared with \$3,451,813 or \$1.31 per share in 1955. Net sales for 1956 were \$58,745,254 as compared with \$56,623,754 for 1955.

Dividends of \$1.00 per share, totaling \$2,636,878, were paid on the common stock during 1956. Inventories at the year's end were \$13,263,811 as compared with \$12,908,336 for 1955. Working capital at the year's end was adequate.

OPERATIONS

The number of end products and industries using CSC chemicals was further expanded in 1956, adding stability to the Company's market position. The benefits of our increased business volume were offset by narrowed profit margins on a number of products. Costs continued to rise but competitive conditions prevented corresponding price increases. Industrial and agricultural petrochemicals continued as our most important areas of operation.

Industrial Chemicals

The production and sale of methanol attained record levels. At the year end, construction of additional facilities for this major product was under way at Sterlington, Louisiana. Our program for the expanded conversion of methanol is being furthered with the building of a new chemical derivatives unit at Terre Haute, Indiana. Both expansions are scheduled for completion in the fall of 1957.

Increased quantities of formaldehyde and pentaerythritol, made from methanol, were sold to the growing plastics and plywood industries. Methylamines, a chemical raw material with broad industrial uses, moved in moderately increased volume with good prospects for long-term growth.

Nitroparaffins were the subject of an active market development program during the first full year of commercial production. More than 1,000 companies in many industries are now testing these chemicals for use in their processes and products. During 1956, important applications of the nitroparaffins were developed in the protective coatings, synthetic fiber, mining and automotive fuel industries. Commercial production of a number of additional nitroparaffin derivatives was started during the year. These new chemicals are useful as raw materials for the plastics industries and as emulsifying agents, bacteriocides, and analytical aids.

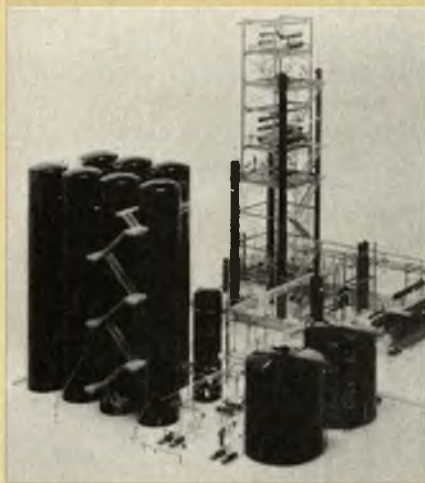
In the alcohol group of solvents, the sales of ethyl alcohol and derivatives were considerably ahead of the previous year, with prices reasonably firm and demand strong. Other products in this group, including butanol and acetone, moved in quantity to a diversified customer list.

Agricultural Chemicals

The American farmer used increased quantities of agricultural nitrogen in various forms during 1956, but not enough to absorb growing industry production of these chemicals. Lower farm in-



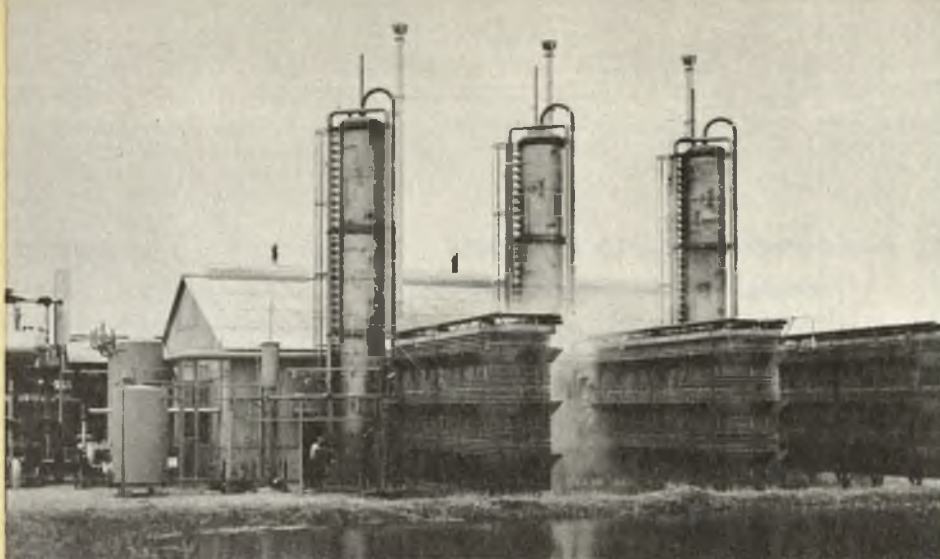
Part of methanol unit at Sterlington, La., where expansion is now under way to increase capacity of this product.



Model of chemical derivatives unit now under construction at the Terre Haute, Indiana, plant.



Nitroparaffin derivatives plant located at Peoria, Illinois.



Nitric acid capacity at Sterlington, Louisiana, is now being expanded. Nitric acid is used in production of nitroparaffins, nitrogen solutions, and ammonium nitrate fertilizer.

comes and drought combined with oversupply to create an unusually competitive market. Price reductions at midyear and reduced volume, along with higher freight rates and distribution costs, resulted in decreased profits from this important area of our business.

It was encouraging that CSC ammonia and ammonium nitrate were sold for more diversified industrial uses during 1956 as the result of an expanded sales program to offset the overly competitive agricultural nitrogen situation.

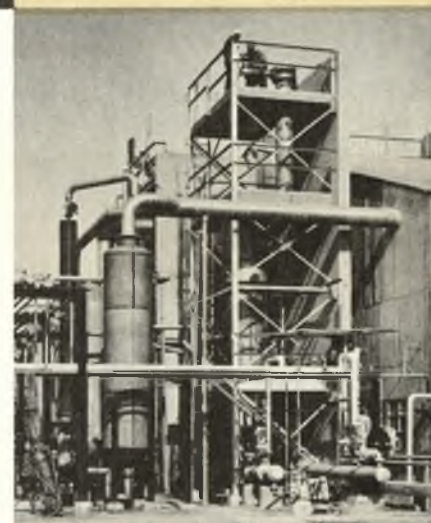
CSC's basic nitrogen position is enabling us to maintain a competitive operation and satisfy consumer preferences for anhydrous, liquid and solid forms. During 1956 Hi-D, a new high density formulation of our ammonium nitrate fertilizer, was developed as a companion product for CSC anhydrous ammonia, Dixsol nitrogen solutions and aqua ammonia. The advantages of Hi-D fertilizer will be brought to the farmer's attention in a full-scale marketing program timed for the 1957 fertilizer season.

With most of the nation's arable land now under more intensive cultivation and our population expanding at the rate of 2,500,000 per year, greater use of nitrogen fertilizers can be anticipated. The Company's prospects for long-term growth in agricultural chemicals continue to be attractive.

Automotive Specialties

Warm weather during the early antifreeze selling season and a drop in new car production resulted in a reduction in our automotive antifreeze business.

Peak Nitro Fuel, a propellant for racing cars, was introduced in 1956. A growing market for this nitroparaffins compound is indicated. The Nor'way line of automotive specialties was positioned for expanded marketing with the creation of a separate sales unit to promote year-round business.



A second Stengel reactor for the production of ammonium nitrate is being completed at the Pace Lake plant near Sterlington, Louisiana.



Baciferm, bacitracin antibiotic feed supplement, is rapidly gaining acceptance in animal rations.

Animal Nutrition Products

Sales of Baciferm, containing improved zinc bacitracin developed in our research laboratories, advanced in 1956 as a result of an intensified marketing program. This antibiotic's selective activity is important in eliminating disease and in stimulating the productivity and growth of farm animals and poultry. Its efficacy was demonstrated in 1956 by field trials and controlled studies at agricultural colleges.

In the vitamins group, sales of choline chloride were well ahead of last year. The feed industry is making increased use of this fat utilization vitamin. Choline chloride is produced from trimethylamine which in turn is made from CSC's ammonia and methanol. This product is an example of a marketing position in one area growing out of Company activities in another.

Pharmaceuticals

The effectiveness of cycloserine, CSC's new antibiotic, for the treatment of tuberculosis was corroborated by the medical profession on a broader scale during 1956. When used by itself or in combination with other drugs, cycloserine has proved to be an important addition to the armamentarium of tuberculosis chemotherapeutic agents. A continuing program of clinical research has also revealed the drug's usefulness in the treatment of urinary tract infections.

Pharmaceutical bacitracin sales were increased as the medical profession continued to find more use for this antibiotic in a broad range of formulations. Hexetidine, one of CSC's new nitroparaffin derivatives, was introduced during the year in pilot plant quantities as a therapeutic agent. Other nitroparaffins currently under investigation are creating interest in the proprietary drug and cosmetics industries.

Cycloserine and other antibiotics are made in these buildings at Terre Haute, Indiana.



Export and Foreign Sales

CSC nitrogen fertilizers and animal nutrients have replaced pharmaceuticals as the major products in our growing export business. World wide interest in improving agricultural yields and more foreign buying power are making the export of CSC farm chemicals increasingly attractive.

Western hemisphere countries and industrial Europe continued as our major areas of foreign operations. Chemicals for agricultural use led sales of CSC products by our Mexico marketing affiliate, Comsolmex, S. A.

Following the introduction of CSC aqua ammonia and solid ammonium nitrate in sugar cane producing areas, extensive experiments were conducted to determine optimal application levels. Results were recorded in a Spanish-language documentary film which is helping to expand sales of these CSC fertilizers throughout Latin America.

AFFILIATED OPERATIONS

At Medicine Hat, Alberta, the \$22 million high analysis chemical fertilizer plant of Northwest Nitro-Chemicals Ltd., started operation in the fall of 1956. CSC owns 42.7 per cent of Northwest Nitro-Chemicals' equity stock and operates the company under a long-term management contract. The completion and startup of this plant in record time is an example of the profitable application of Commercial Solvents' experience in design, construction, and management of modern petrochemical plants.

Thermatomic Carbon Company, in which CSC has a 68.7 per cent interest, continued its profitable operation, although at somewhat reduced levels. The major share of the carbon black from Thermatomic's Louisiana plant is taken by the rubber manufacturing industry, whose 1956 operations were affected by decreased new car production. Uniform management policies and the utilization of CSC technical personnel in Thermatomic's development program have resulted in an effective and mutually beneficial relationship between the two companies. Dividends received in 1956 from Thermatomic totaled \$225,036.

EMPLOYEE AND COMMUNITY RELATIONS

CSC employees turned in an excellent safety record for 1956. At the Terre Haute plant, there were no lost time accidents in more than 1,300,000 man hours of work, and the smaller Harvey, Louisiana, plant reported a perfect record. For the entire Company, there were only nine lost time accidents in more than 3,500,000 man hours. This was an improvement over the previous year and a better record than the chemical industry's average.



In Cuba, sugar cane fertilized with CSC aqua ammonia produces thicker and taller stalks with increased sugar content.

Softball is popular in the Sterlington plants' year-round sports program.





Research



Development



Engineering

Active participation by our people in the civic and welfare efforts of the communities in which our plants are located served as the foundation for our Company's excellent plant relations throughout 1956.

Commercial Solvents has a valuable asset in the breadth of knowledge and experience of its employees. At the year end, one-quarter of CSC's men and women had completed at least 20 years of service with the Company. Many are active in the on-job training programs which prepare our younger people for positions of added responsibility.

RESEARCH AND DEVELOPMENT

In the past year our Company continued its determined effort to effect an orderly transition of its basic operations toward synthetic organic and petroleum based chemicals and away from dependency on fermentation products, which historically have been subject to the instability of raw materials markets. In 1956, a very substantial proportion of our sales and earnings came from new petrochemical products and facilities added in the past decade.

Through research and its companion efforts, development and engineering, we are steadily enlarging our activities in these more promising areas of our sales and technology. The capital appropriations of 1956 were in support of these objectives.

Commercial Solvents believes strongly that properly directed research is the keystone on which stability and growth of any chemical company, such as ours, depends. Aggressive research operations will continue to be the basis of our long-range development program.

The help and loyalty of our directors, shareholders, and employees enabled our Company to move purposefully toward its goals in 1956. We have good reason to look forward to the coming year as one that will bring us closer to our long-term objectives.

J. M. Woods
President

February 25, 1957.



TEN-YEAR FINANCIAL SUMMARY

(AMOUNTS, OTHER THAN PER SHARE FIGURES, EXPRESSED IN THOUSANDS)

EARNINGS DATA

Year	Net Sales	Depreciation and Amortization	Earnings		Earnings Per Share		Dividends Paid Per Share
			Before Allocation of Extraordinary Items	After Allocation of Extraordinary Items (a)	Before Allocation of Extraordinary Items	After Allocation of Extraordinary Items (a)	
1947	\$58,876	\$ 869	\$9,068	\$9,068	\$3.44	\$3.44	\$1.50
1948	45,062	1,183	5,543	5,543	2.10	2.10	1.50
1949	36,364	1,250	3,364	3,364	1.28	1.28	1.50
1950	49,095	1,420	5,178	5,178	1.96	1.96	1.25
1951	61,172	1,614	5,843	5,843	2.22	2.22	1.25
1952	49,676	2,585	1,368 (b)	881 (b)	.52 (b)	.33 (b)	1.00
1953	51,220	3,643	2,657	2,254	1.01	.85	1.00
1954	51,608	3,365	2,668	2,697	1.01	1.02	1.00
1955	56,624	3,337	3,452 (c)	3,452 (c)	1.31 (c)	1.31 (c)	1.00
1956	58,745	3,157	2,831	3,163	1.07	1.20	1.00

(a) For purposes of making the comparisons between years more meaningful, certain data in the above financial summary have been restated to allocate extraordinary items from year reported to years such items are considered applicable, as follows:

Earnings for 1952 and 1953 decreased by \$487,092 and \$402,848 due to allocating thereto provision for obsolescence of dextran facilities and additional provision for price redetermination from years 1954 and 1956, respectively.

Earnings for 1954 increased by \$28,479 due to allocating:

Provision for obsolescence of Dextran plant facilities, less Federal income tax reduction of \$603,600 applicable thereto—reclassified to years to which applicable: 1952—\$197,584; 1953—\$359,640..... \$557,224
Adjustment of provision for Federal income taxes for years 1943-1948—considered applicable principally to years prior to 1947.....(\$360,000)
Restatement of investment in Thermatomic Carbon Company to cost—considered applicable to years prior to 1947.....(\$168,745)

Earnings for 1956 increased by \$332,716 due to excluding therefrom the extraordinary additional provision for price redeterminations applicable to 1952 and 1953 in the amounts of \$289,508 and \$43,208, respectively.

The related effect of the foregoing adjustments has also been reflected in other earnings data and in the financial position data shown herein.

(b) Exclusive of special income credit-net (principally excess profits tax settlement) \$1,107,000—\$.42 per share of stock.

(c) Includes extraordinary net income of \$312,949, or \$.12 per share, from settlement of a lawsuit instituted by the Corporation applicable to 1955.

FINANCIAL POSITION DATA

Dec. 31	Total Assets	Working Capital			Plant and Equipment		Long-Term Debt	Shareholders' Equity
		Current Assets	Current Liabilities	Working Capital	Cost	Accumulated Reserves		
1947	\$37,723	\$21,608	\$4,905	\$16,703	\$26,709	\$12,861	\$ —	\$32,187
1948	40,051	18,358	3,532	14,826	31,531	13,898	—	33,775
1949	38,856	18,228	3,217	15,011	32,624	14,789	—	33,184
1950	43,684	23,420	6,444	16,976	34,102	16,130	—	35,066
1951	57,993	34,271	8,691	25,580	38,644	17,661	10,000	38,102
1952	68,332	35,728	4,838	30,890	49,890	19,932	25,000	37,453
1953	68,895	29,351	6,100	23,251	60,668	23,434	25,000	37,070
1954	70,569	32,597	6,982	25,615	62,397	26,671	25,000	37,130
1955	72,426	32,934	7,213	25,721	65,617	29,443	25,000	37,945
1956	74,580	34,434	9,686	24,748	69,125	32,317	23,440	38,471

**COMMERCIAL****CONSOLIDATED FINANCIAL POSITION**

	December 31,	
	1956	1955
CURRENT ASSETS		
Cash	\$ 8,331,989	\$ 8,868,035
U. S. Government and other marketable securities, at cost	1,746,825	1,500,741
Accounts and notes receivable (less allowance for doubtful accounts)	11,091,642	9,657,296
Inventories, at the lower of average cost or market		
Finished products and materials in process	8,748,964	7,766,835
Raw materials and supplies	4,514,847	5,141,501
Total Current Assets	<u>34,434,267</u>	<u>32,934,408</u>
LESS CURRENT LIABILITIES		
Accounts payable	5,126,832	4,243,206
Accrued Federal income taxes (less U. S. Treasury tax notes at cost of \$290,000 in 1956 and \$994,200 in 1955)	1,122,601	823,779
Other accrued liabilities	1,876,864	2,146,638
Installment on long-term debt due in 1957	1,560,000	—
Total Current Liabilities	<u>9,686,297</u>	<u>7,213,623</u>
WORKING CAPITAL	<u>24,747,970</u>	<u>25,720,785</u>
INVESTMENTS AT COST		
Northwest Nitro-Chemicals Ltd.	1,691,910	1,691,910
Thermatomic Carbon Company	517,917	335,717
Other	126,408	66,208
Total Investments	<u>2,336,235</u>	<u>2,093,835</u>
FIXED ASSETS		
Land, buildings and equipment, at cost	69,125,164	65,616,500
Less accumulated depreciation, amortization and obsolescence	32,316,722	29,443,471
Net Fixed Assets	<u>36,808,442</u>	<u>36,173,029</u>
GOODWILL AND PATENTS	<u>1</u>	<u>1</u>
DEFERRED CHARGES	<u>1,001,490</u>	<u>1,224,775</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>64,894,138</u>	<u>65,212,425</u>
LESS LONG-TERM DEBT AND DEFERRED TAXES		
3¾% Notes payable	23,440,000	25,000,000
Deferred Federal income taxes	2,983,100	1,935,100
SHAREHOLDERS' EQUITY	<u>\$38,471,038</u>	<u>\$38,277,325</u>
SOURCE OF SHAREHOLDERS' EQUITY		
Common stock—\$1.00 par value		
Authorized —3,000,000 shares		
Issued —2,636,878 shares	\$ 6,593,452	\$ 6,593,452
Additional paid-in capital	4,325,514	4,325,514
Earnings retained in business	27,552,072	27,358,359
	<u>\$38,471,038</u>	<u>\$38,277,325</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SOLVENTS CORPORATION

CONSOLIDATED EARNINGS AND SUMMARY OF EARNINGS RETAINED IN BUSINESS

	Year Ended December 31,	
	1956	1955
OPERATING INCOME		
Net sales	\$58,745,254	\$56,623,754
Other operating income	<u>207,934</u>	<u>223,314</u>
	<u>58,953,188</u>	<u>56,847,068</u>
OPERATING COSTS AND EXPENSES		
Cost of sales	43,309,363	41,139,370
Selling, research and administrative expenses	6,971,674	6,991,730
Depreciation and amortization	<u>3,157,250</u>	<u>3,337,041</u>
	<u>53,438,287</u>	<u>51,468,141</u>
EARNINGS FROM OPERATIONS	5,514,901	5,378,927
OTHER INCOME		
Dividends and other income received from Thermatomic Carbon Company	285,036	399,752
Miscellaneous income—net	<u>1,207,170</u>	<u>969,285</u>
	<u>7,007,107</u>	<u>6,747,964</u>
INTEREST ON BORROWINGS	<u>937,500</u>	<u>937,500</u>
EARNINGS BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS	6,069,607	5,810,464
FEDERAL INCOME TAXES (including deferred taxes—see notes)	<u>2,906,300</u>	<u>2,671,600</u>
EARNINGS BEFORE EXTRAORDINARY ITEMS	3,163,307	3,138,864
EXTRAORDINARY ITEMS—(see notes)	<u>332,716</u>	<u>312,949</u>
NET EARNINGS FOR YEAR (per share \$1.07 in 1956; \$1.31 in 1955) . . .	2,830,591	3,451,813
EARNINGS RETAINED IN BUSINESS AT BEGINNING OF YEAR	<u>27,358,359</u>	<u>26,543,424</u>
	<u>30,188,950</u>	<u>29,995,237</u>
Dividends paid (\$1.00 per share each year)	<u>2,636,878</u>	<u>2,636,878</u>
EARNINGS RETAINED IN BUSINESS AT END OF YEAR	<u>\$27,552,072</u>	<u>\$27,358,359</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

Investments in Subsidiaries not Consolidated. The Corporation's equity in the net assets of Thermatomic Carbon Company at December 31, 1956 exceeds the cost of the investment therein by \$729,173. The excess of equity in earnings of said Company over dividends received amounted to \$78,131 in 1956 and \$32,092 in 1955.

The Corporation's equity at May 31, 1956 (latest fiscal year-end) in the net assets of another subsidiary not consolidated is less than the cost of the investment therein (included in other investments) by \$18,915. No dividends have been received from this subsidiary and the Corporation's equity in its unaudited net loss for the fiscal year ended May 31, 1956 is \$10,696.

Long-Term Debt. Notes under the loan agreements entered into with insurance companies are payable in approximately equal annual installments during the period 1957 through 1972. The loan agreements provide, among other things, that the Corporation may not declare any dividend, other than stock dividends, in excess of consolidated earnings (as defined in the agreements) subsequent to December 31, 1950, plus \$2,500,000. The agreements also require that the declaration of such dividends will not reduce the consolidated working capital to an amount less than \$15,000,000. At December 31, 1956 \$2,903,134 of the consolidated retained earnings was free of such restrictions.

Stock Options. At December 31, 1955 certain key executive employees held options on 50,000 shares of common stock, exercisable at any time on or before December 31, 1957, at an option price of \$21 per share which was in excess of 95% of the market value of the stock when the options were granted. In 1956 the Board of Directors adopted a revised stock option plan under which such options are not generally exercisable prior to December 1, 1958, the expiration date was extended to December 31, 1963, the option price remained at \$21 per share, and the terms thereof otherwise were modified in conformity with said new plan, subject to the approval of the stockholders. At the time of the extension and modification of such options the market price of the shares covered thereby was less than \$21 per share. If the revised stock option plan is not approved by the stockholders the original options will continue until December 31, 1957. Under the revised plan, an additional 50,000 shares are reserved for options not yet granted at December 31, 1956.

Price Redetermination and Renegotiation. Certain of the Corporation's sales in 1952 and 1953 are subject to price redetermination, and in the latter year, to renegotiation, by the U. S. Government. Provisions for estimated price redetermination refunds were made in the accounts in those years in amounts which the Corporation considered adequate. There is presently under mutual consideration a compromise settlement which would require a net payment of \$332,716 in excess of the amounts previously provided, which amount has been reserved by the Corporation in 1956. However, if government claims and interlocutory administrative decisions, which the Corporation has been contesting and which were made prior to the compromise settlement presently being considered, were finally sustained, the net amount refundable would be approximately \$570,000 in excess of the amounts provided to date. The Corporation considers that no provision is required for renegotiation.

Deferred Federal Income Taxes. In its financial statements the Corporation, in accordance with its previous practice, computes the provision for depreciation and amortization by the straight-line method over estimated useful lives. For Federal income tax purposes, however, the portions of plant facilities covered by Certificates of Necessity are amortized over five-year periods and, beginning in 1955, other plant facilities subsequently acquired are depreciated by the "declining balance" method. The excess of the amortization and depreciation for tax purposes over straight-line depreciation results in temporary tax reductions amounting to \$1,048,000 in 1956 and \$810,300 in 1955 which have been charged against earnings and credited to Deferred Federal income taxes. The amounts so deferred will be taken into earnings in future years when depreciation allowable for tax purposes is correspondingly less than provided in the financial statements.

Extraordinary Items. The extraordinary item for 1956 represents the additional provision for price redetermination referred to above. The extraordinary item for 1955 represents net income from settlement of a lawsuit instituted by the Corporation less Federal income tax of \$339,000 applicable thereto.

AUDITORS' REPORT

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS
165 BROADWAY
NEW YORK 6

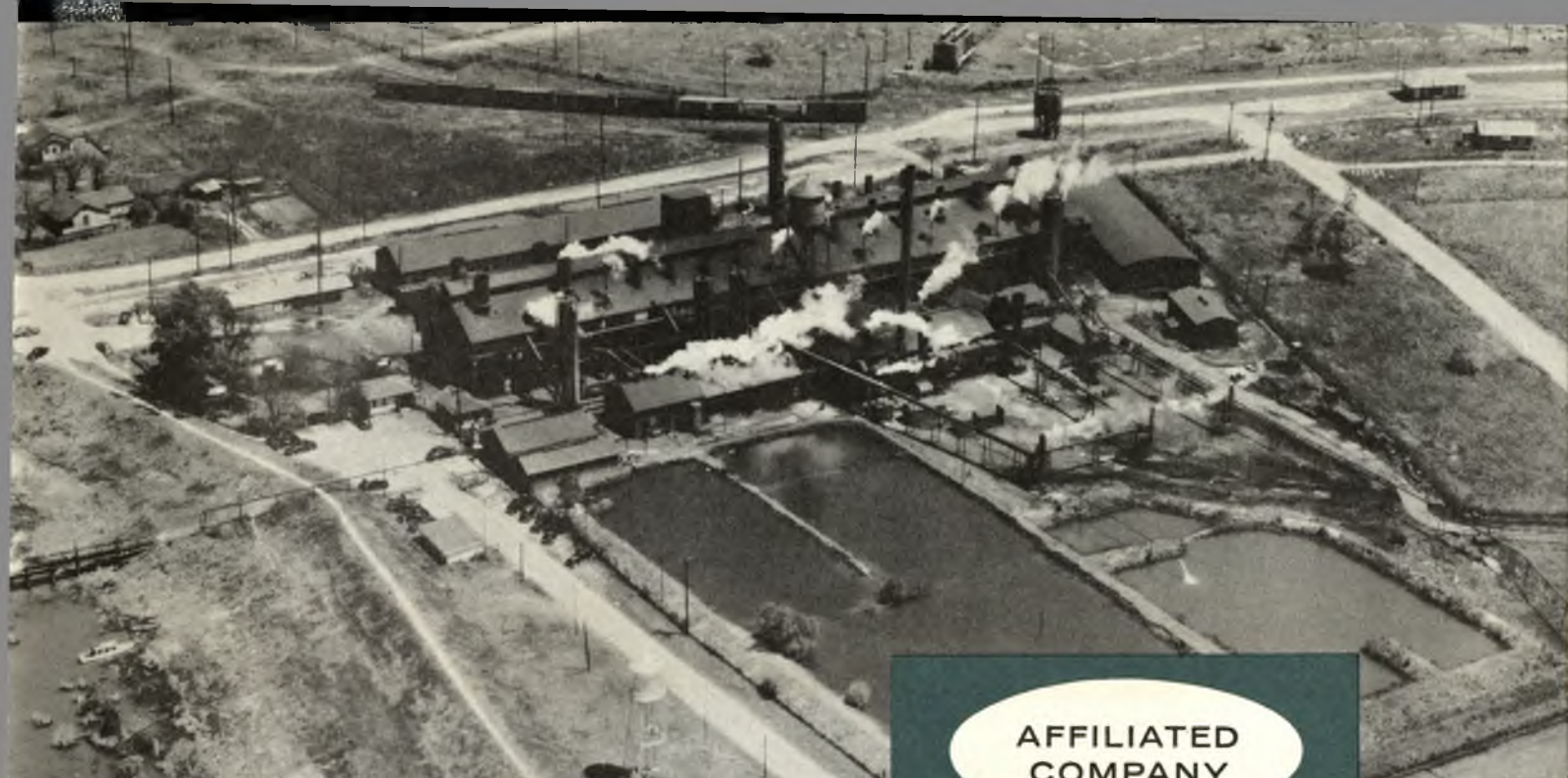
February 4, 1957

The Board of Directors and Shareholders,
Commercial Solvents Corporation

We have examined the statement of consolidated financial position of Commercial Solvents Corporation and Subsidiary at December 31, 1956 and the related statement of consolidated earnings and summary of earnings retained in business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-described statements present fairly the financial position of Commercial Solvents Corporation and Subsidiary at December 31, 1956 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

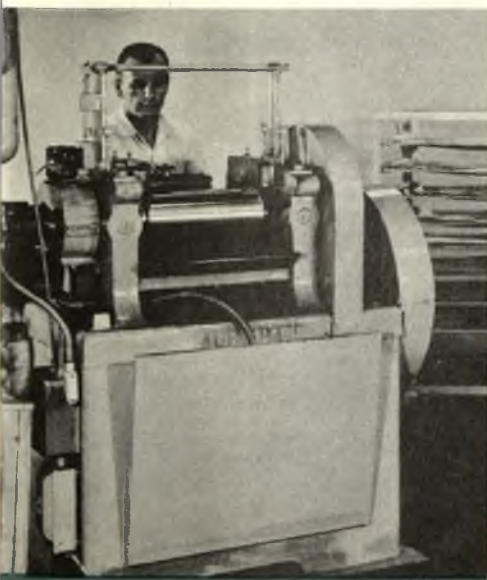
ARTHUR YOUNG & COMPANY



AFFILIATED
COMPANY

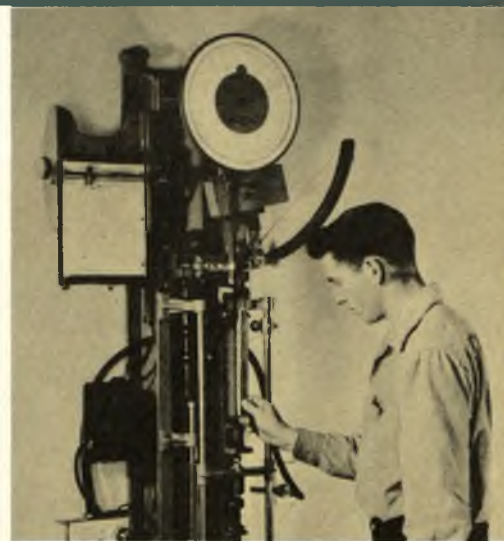
Thermatonic Carbon Company

THIS PLANT has been producing thermal type carbon blacks since 1922, and is located adjacent to the Corporation's petrochemicals unit at Sterlington, La. Thermal carbon blacks are used in numerous rubber compounds because of their unique properties. A new laboratory contains the latest rubber testing equipment. This unit will facilitate the testing and improvement of present products and the evaluation of new products developed under the expanded research program. Pilot plant equipment is being acquired to investigate new processes for carbon black manufacture.



Laboratory roll mill, on which crude rubber, carbon and other compounding ingredients are milled to insure thorough, uniform mixing.

Battery of extraction flasks in analytical control laboratory. Mr. Gradie Milstead, the technician shown in the photograph, has been with Thermatonic Carbon Company for 33 years, 31 of which have been in the analytical control laboratory.



Dumbbell shaped test pieces are die cut from the cured sheets, and taken to a Scott tester for determination of tensile strength, modulus or stiffness, and elongation.

AFFILIATED
COMPANY

Northwest Nitro-Chemicals Ltd.

Located at Medicine Hat, Alberta, Canada, this new plant is now producing ammonium nitrate, ammonium phosphate, and ammonium phosphate-sulphate fertilizers. These materials are being packaged under the "Northwest" brand name and will be marketed in the prairie provinces of Canada and the northwest United States.

Ammonium Nitrate Storage Warehouses

Nitric Acid Plant

Shop and Warehouse

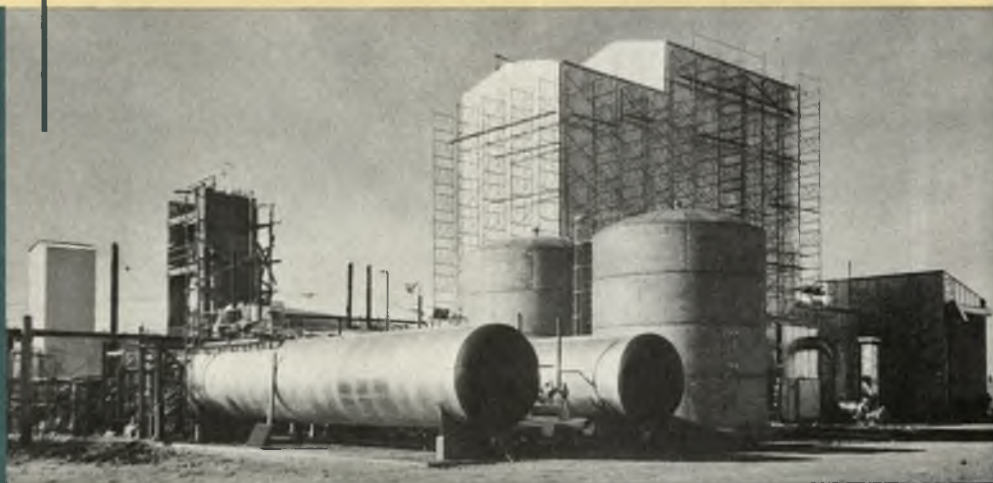


Laboratory

Office

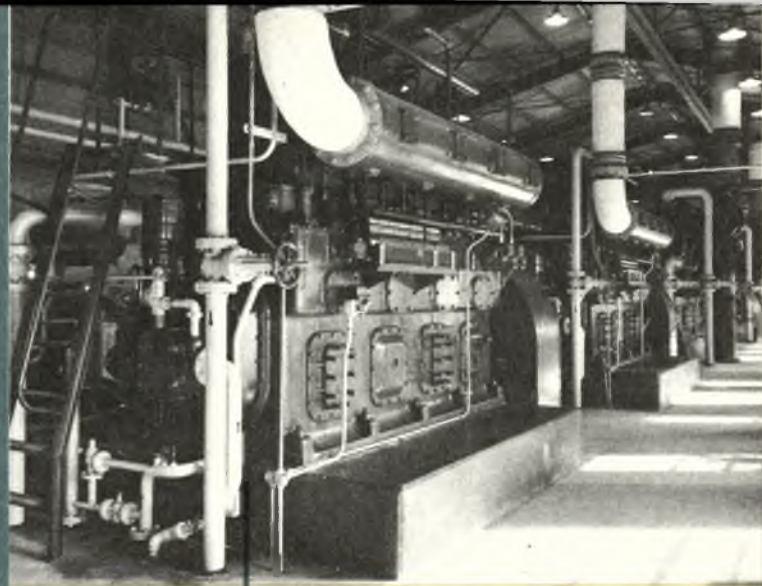
Change House

Ammonium Nitrate Plant





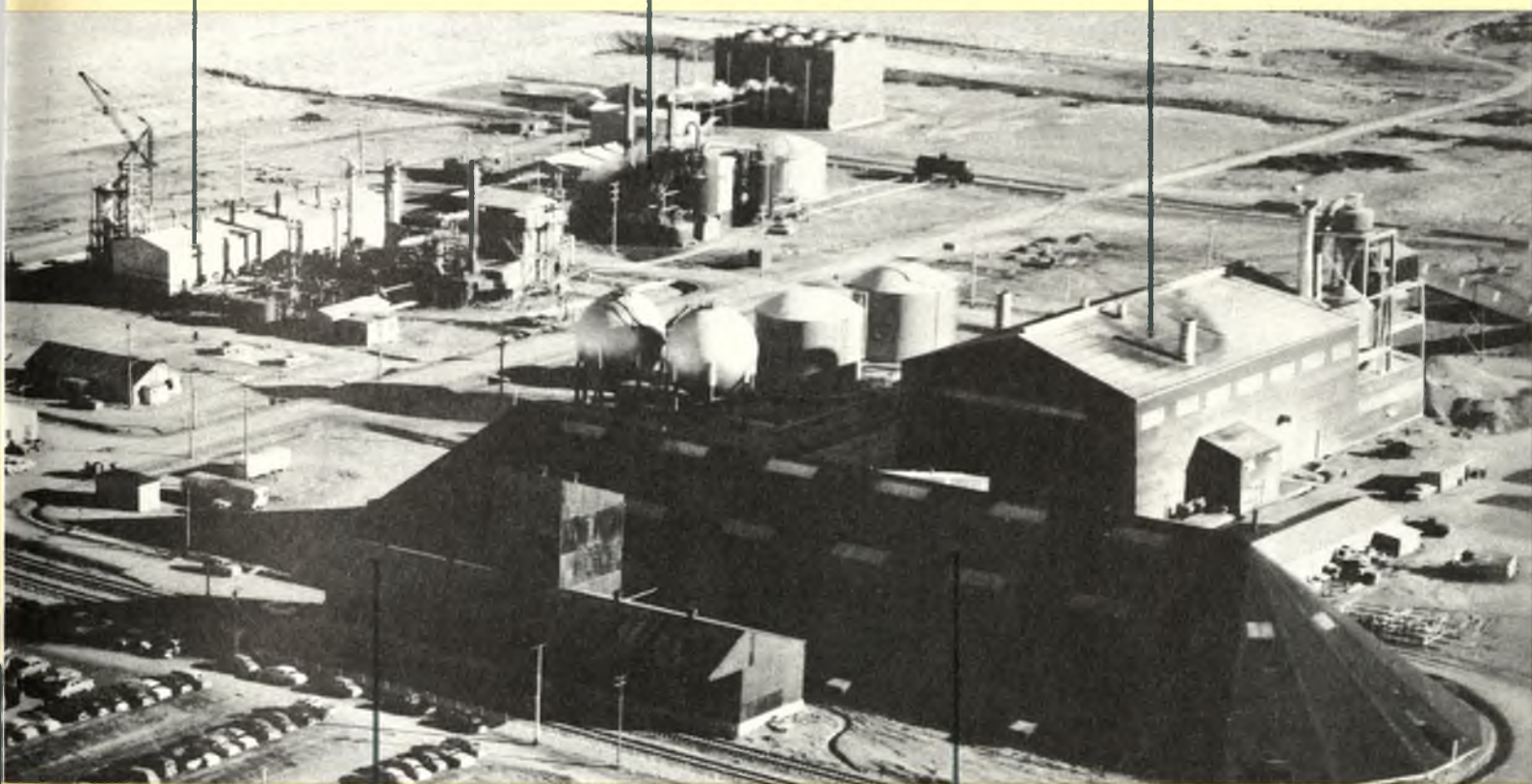
Anhydrous
Ammonia Plant



Ammonia Plant Compressors

Sulphuric Acid Plant

Ammonium Phosphate Plant

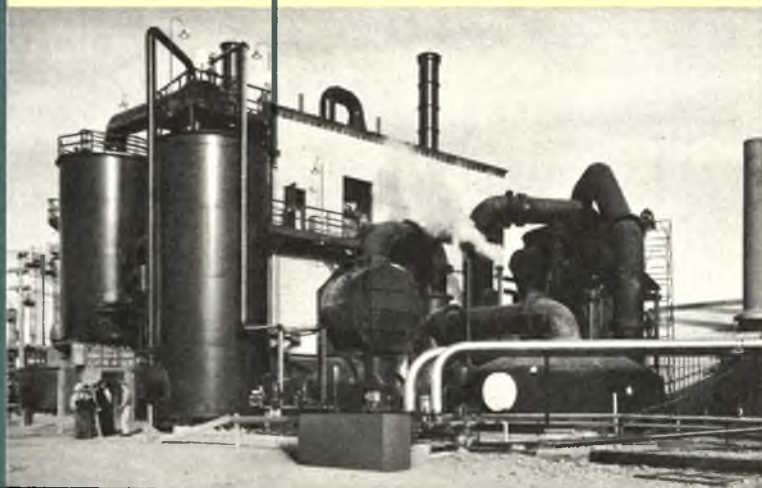
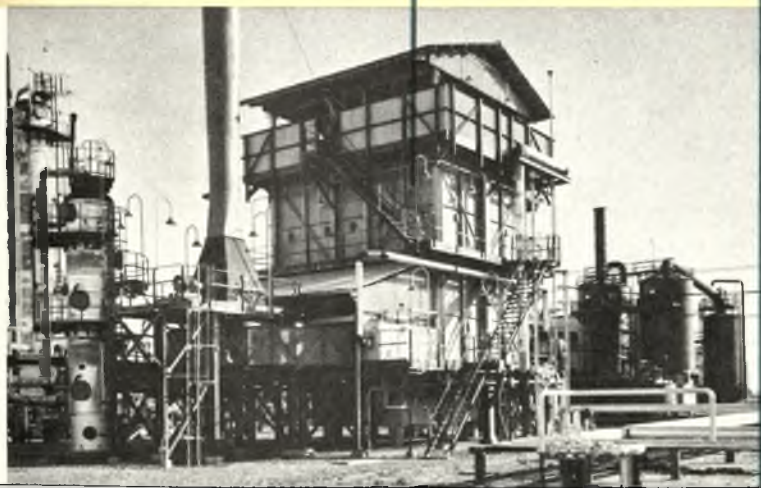


Ammonium Phosphate Bagging Building

Ammonium Phosphate Storage Warehouse

Ammonia Unit Furnace

Sulphuric Acid Plant



WHERE



PRODUCTS ARE MADE

	PRODUCTS	Terre Haute Indiana	Peoria Illinois	Sterlington Louisiana	Agnew California
Agricultural Chemicals	Hi-D Ammonium Nitrate Fertilizer			●	
	Anhydrous Ammonia			●	
	Aqua Ammonia			●	
	Nitrogen Solutions			●	
	Ethyl Formate				●
	Metalddehyde				●
Industrial Chemicals	Nitroparaffins and derivatives	●	●	●	
	Methanol and derivatives	●		●	
	Formaldehyde			●	●
	Pentaerythritol				●
	Ethyl Alcohol and Ethyl esters	●	●		●
	Butanol and Butyl esters	●	●		
Automotive Specialties	Peak and Nor'way Anti-freeze	●		●	
	Peak Nitro Fuel	●		●	
	Peak Methanol Racing Fuel Base	●		●	
	Nor'way Cooling System Chemicals	●			
	Nor'way Automotive Specialties	●			
	Quixol and Quakersol	●			
Animal Nutrition Products	Antibiotic Feed Supplements	●	●		
	Riboflavin Feed Supplements	●	●		
	Multi-Vitamin Feed Supplements	●	●		
	Vitamin B ₁₂ Supplements	●	●		
	Choline Chloride	●	●		
Pharmaceutical Chemicals	Bacitracin, U.S.P.	●			
	Bacitracin, Zinc	●			
	Cycloserine	●			
	Riboflavin, U.S.P.	●			
	Hexetidine	●			
Potable Spirits	Neutral Spirits	●	●		
	Whiskeys	●			
	Rack House Barrel Storage Service	●			

Agricultural Chemicals

- **SALES CENTERS**—Boston, New York City, Cleveland, Cincinnati, Detroit, Chicago, St. Louis, Kansas City, Peoria (Ill.), New Orleans, Sterlington (La.), Louisville, Atlanta, Los Angeles, and San Francisco.
- **WAREHOUSES**—Harvey (La.), Sterlington (La.), Pace Lake (La.), Terre Haute (Ind.), and Agnew (Calif.).

Automotive Specialties

- **SALES CENTERS**—Atlanta, Baltimore, Boston, Chicago, Cincinnati, Cleveland, Dallas, Detroit, Kansas City, Los Angeles, Louisville, Memphis, New York, Ottawa (Ill.), Portland (Ore.), St. Louis, St. Paul, San Francisco, Syracuse, and Terre Haute.
- **WAREHOUSES**—Albany, Birmingham, Buffalo, Charlotte (N. C.), Columbus, Des Moines, Evansville (Ind.), Flint, Fort Worth, Grand Rapids, Greensboro (N. C.), Indianapolis, Jacksonville, Jersey City, Knoxville, Lubbock (Tex.), Milwaukee, Nashville, Newark, Oklahoma City, Omaha, Peoria, Raleigh (N. C.), Richmond (Va.), Salt Lake City, Seattle, Spokane, Sterlington (La.) Washington (D. C.), and Wichita.

Industrial Chemicals

- **SALES CENTERS**—Boston, Chicago, Milwaukee, Cincinnati, Indianapolis, Cleveland, Detroit, Los Angeles, Louisville, Memphis, New Orleans, Houston, New York, St. Louis, Kansas City, and San Francisco.
- **WAREHOUSES**—Boston, Buffalo, Cleveland, Cincinnati, Detroit, Chicago, St. Louis, Los Angeles, Newark, Baltimore, Charlotte (N. C.), Greensboro (N. C.), Atlanta, Milwaukee, St. Paul, Kansas City, Peoria, Terre Haute, Dallas, Spokane, Seattle, Harvey (La.), and Agnew (Calif.).

LEGEND

■ PLANTS

● SALES CENTERS

● WAREHOUSES

Animal Nutrition Products

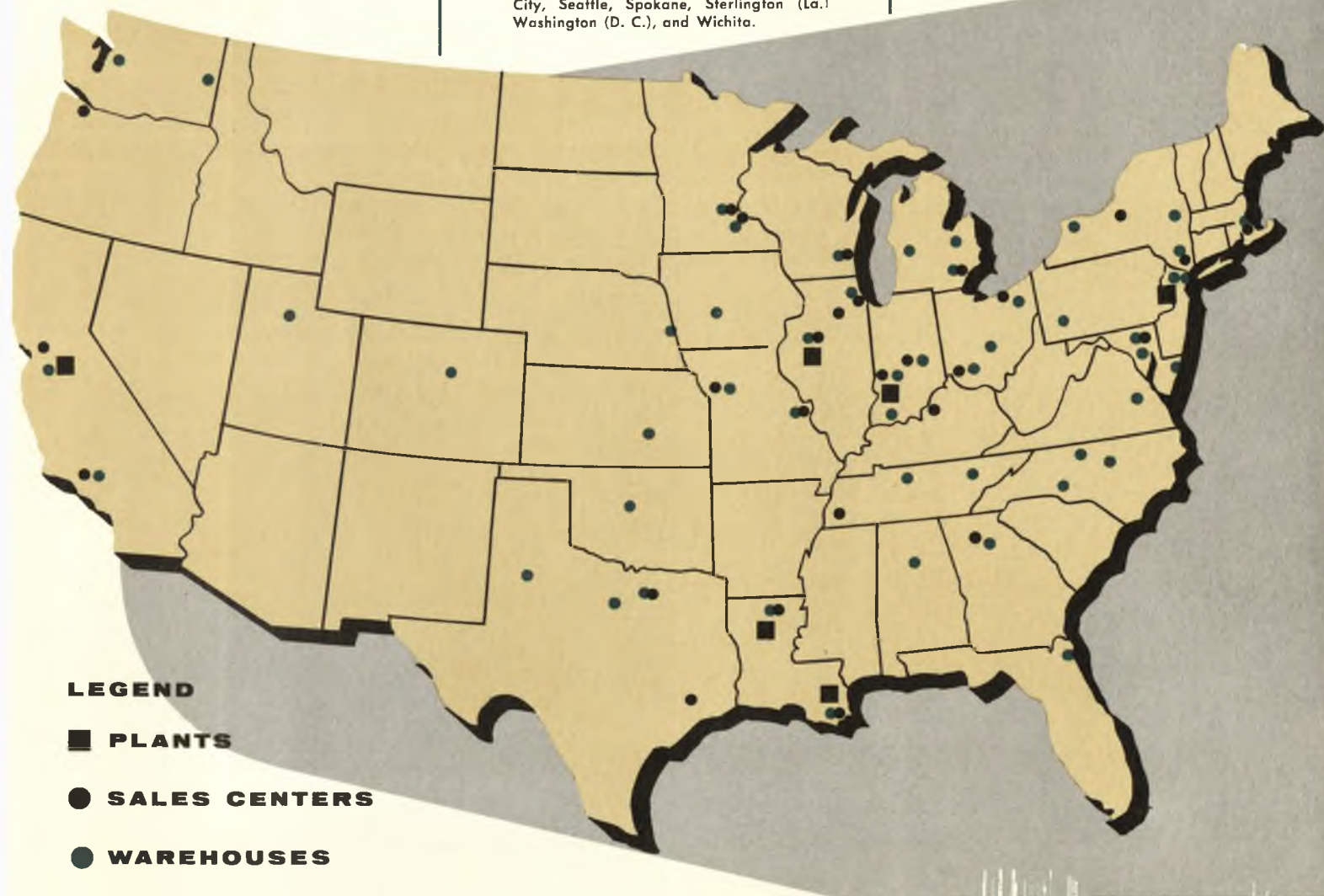
- **SALES CENTERS**—Boston, Chicago, Cincinnati, Cleveland, Detroit, Kansas City, Los Angeles, Louisville, Memphis, Minneapolis, New Orleans, New York, St. Louis, and San Francisco.
- **WAREHOUSES**—Boston, Jersey City, Newark, Salisbury (Md.), Charlotte (N. C.), Kansas City, Des Moines, Minneapolis, Los Angeles, Agnew (Calif.), Peoria, and Terre Haute.

Pharmaceutical Chemicals

- **SALES CENTERS**—Boston, New York City, Cleveland, Cincinnati, Louisville, Detroit, Chicago, St. Louis, New Orleans, Los Angeles, and San Francisco.
- **WAREHOUSES**—Terre Haute (Ind.), and Newark (N. J.).

Potable Spirits

- **SALES CENTERS**—Boston, New York City, Cleveland, Cincinnati, Louisville, Detroit, Chicago, St. Louis, New Orleans, Los Angeles, and San Francisco.
- **WAREHOUSES**—Boston, Newark (N. J.), Detroit, Chicago, Peoria (Ill.), Terre Haute (Ind.), and Agnew (Calif.).





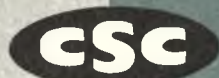
**"Here's my
Choice!"**



PRODUCT OF COMMERCIAL SOLVENTS CORPORATION

Millions of automobile owners saw Peak advertised last Fall on billboards, television, and in newspapers. CSC concentrates on local advertising in the dealers' "hometown" to help sell Peak and Nor'way Anti-freeze.

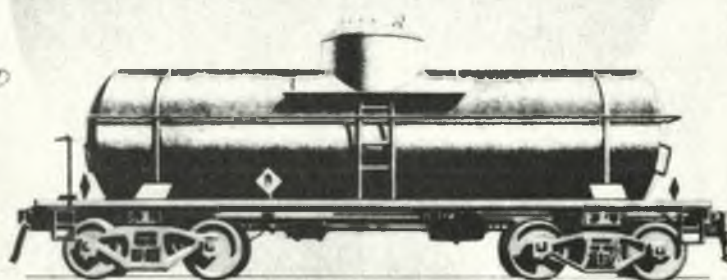
**COMMERCIAL
SOLVENTS
CORPORATION**



ANNUAL REPORT

1957

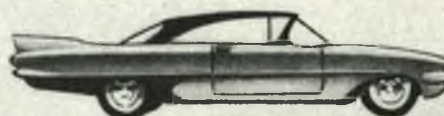
COMMERCIAL SOLVENTS CORPORATION



INDUSTRIAL CHEMICALS



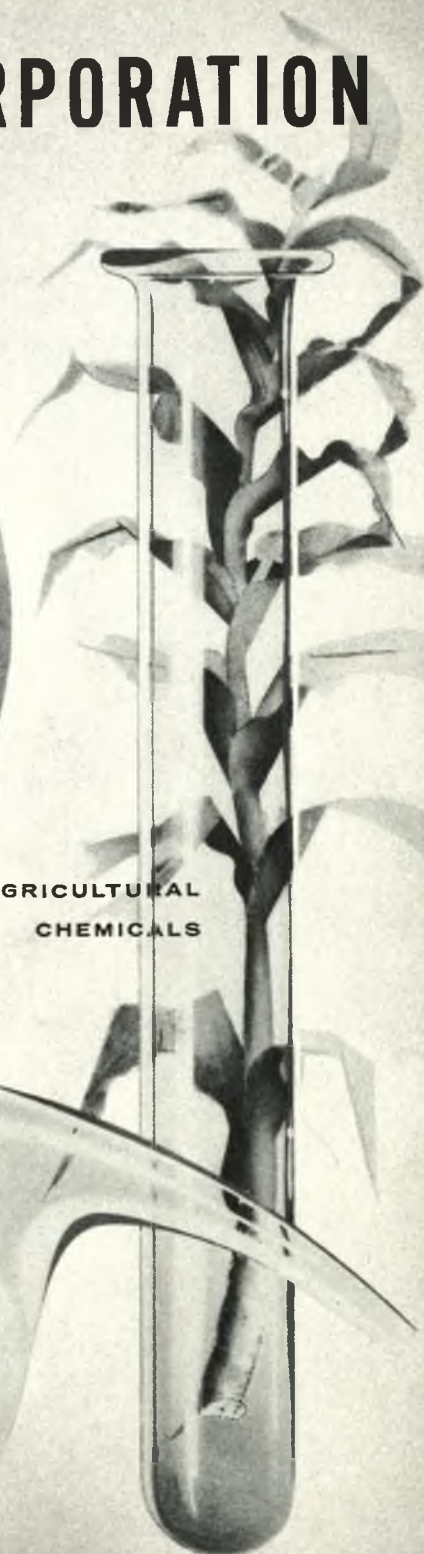
ANIMAL NUTRITION
PRODUCTS



AUTOMOTIVE CHEMICALS

CARBON BLACKS

AGRICULTURAL
CHEMICALS





38th

ANNUAL REPORT 1957



COMMERCIAL SOLVENTS CORPORATION

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- 3 The President's Letter
- 8 Consolidated Financial Position
- 9 Consolidated Earnings
- 10 Notes to Financial Statements
- 11 Auditors' Report
- 12 Ten-Year Financial Summary
- 13 CSC Product Review

Plant at Sterlington, Louisiana.



GENERAL OFFICES
260 MADISON AVENUE
New York 16, N. Y.

BOARD OF DIRECTORS

~~J. ALBERT WOODS*~~

WILLIS H. BOOTH

HAROLD W. COMFORT

SYDNEY T. ELLIS

WILLIAM E. S. GRISWOLD, SR.

MONROE C. GUTMAN

HAROLD H. HELM*

AUSTIN S. IGLEHEART*

ARTHUR B. LAWRENCE

JAMES A. MCCONNELL

HAROLD F. MCGUIRE

JEREMIAH MILBANK, JR.*

ERNEST W. REID

HENRY V. B. SMITH*

MAYNARD C. WHEELER

*Member of Executive Committee

OFFICERS

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President

SYDNEY T. ELLIS
Executive Vice President

MAYNARD C. WHEELER
Senior Vice President

HOWARD L. SANDERS
Vice President

W. WARD JACKSON
Vice President

J. FRED DUDLEY
Vice President

GRAHAM W. MCMILLAN
Vice President

WILLIAM S. LEONHARDT
Treasurer

JOHN A. UHL
Controller

ALEXANDER R. BERGEN
Secretary

TRANSFER AGENT

GUARANTY TRUST COMPANY OF NEW YORK
140 Broadway, New York 15, N. Y.

REGISTRAR

THE CHASE MANHATTAN BANK
11 Broad Street, New York 15, N. Y.

ANNUAL MEETING

The annual meeting of shareholders will be held on April 3, 1958. A notice of the meeting, proxy statement and form of proxy will be sent to all shareholders shortly. It will assist the management in preparing for the meeting if shareholders who do not expect to attend the meeting in person will sign, date and return the proxy promptly.



RESULTS AT A GLANCE

For the Year Ended December 31,

Financial and Operating

	1957	1956*
Net Sales	\$65,931,804	\$62,579,560
Federal, State and other taxes	\$ 2,878,331	\$ 3,833,392
Earnings		
Before extraordinary item	\$ 1,449,638	\$ 3,307,676
After extraordinary item	\$ 1,449,638	\$ 2,974,960
Earnings per share of stock		
Before extraordinary item	\$.53	\$1.21
After extraordinary item	\$.53	\$1.09
Dividends paid	\$ 2,532,933	\$ 2,746,192
Per share of stock	\$.925	\$1.00
Land, buildings and equipment additions		
Expenditures during the year	\$ 5,069,804	\$ 4,142,767
Authorized but not expended	\$ 1,511,000	\$ 5,123,000
Working capital at end of year	\$22,083,885	\$25,692,384
Long-term debt	\$21,880,000	\$23,440,000

Employees

Number of employees at end of year	2,083	2,194
Wages and salaries	\$11,123,594	\$10,903,228
Cost of pension and other benefits	\$ 990,002	\$ 958,273
Assets employed for each employee	\$ 35,266	\$ 35,027

Shareholders

Number of shareholders at end of year	19,608	19,255
Number of shares outstanding	2,741,422	2,741,422
Shareholders' equity	\$38,617,235	\$39,711,602
Per share of stock outstanding	\$14.09	\$14.49

*Restated to include Thermatomic Carbon Company and Comsolmex, S.A.

NET SALES

(MILLION DOLLARS)



INVESTMENT IN PLANTS AND FACILITIES

(MILLION DOLLARS)



■ Reserve for Depreciation □ Net Investment



PRESIDENT'S LETTER

To Our Shareholders:

During 1957, earnings did not keep pace with the increase in sales. Contributing to the cost-price squeeze were higher wages, increased freight rates and higher costs for materials such as natural gas. Extremely competitive market conditions prevented increases in selling prices to offset rising costs.

Plant start-up charges on four major projects also adversely affected the year's profits. These included: solid ammonium nitrate, on which technical problems postponed full operations of the expanded plant, and production costs during most of the year were high; a new plant to produce methylamines which began operations during the third quarter and was producing specification grade materials by year end; a methanol plant expansion which came on stream in the third quarter and operated at capacity after a short running-in period; and an extended start-up period for the Canadian plant of CSC's affiliate Northwest Nitro-Chemicals Ltd. The full benefit of these new production units should be reflected in results for 1958.

Thermatomic Carbon Company was merged into the Corporation on April 30, 1957, in accordance with the terms of the merger agreement.

During the year, the balance of the minority interest in Comsolmex, S.A. was purchased.

For comparative purposes, the financial statements reflect the combined operations of Thermatomic Carbon Company, Comsolmex, S.A. and the Corporation for 1956 and 1957.

FINANCIAL

Earnings in 1957 were \$1,449,638 or \$.53 per share, after reduction of \$735,227, or \$.27 per share, resulting from application of income from Northwest Nitro-Chemicals Ltd. to the Corporation's investment therein

(see additional comments in Affiliated Operations section). This compares with \$3,307,676 or \$1.21 per share, before extraordinary items, in 1956. Extraordinary items in 1956 reduced earnings from \$1.21 per share to \$1.09 per share.

Dividends of \$.925 per share were paid on the common stock during 1957 as compared to \$1.00 per share paid in 1956. Dividends, including payment by Thermatomic Carbon Company to minority interests prior to the merger, totaled \$2,532,933 in 1957 as compared to \$2,746,192 in 1956.

Inventories at year end were \$14,581,762 as compared with \$14,403,693 for 1956. Working capital at year end was adequate. Depreciation and amortization in 1957 totaled \$3,504,720 as against \$3,261,164 in 1956. A reduction of \$1,560,000 was made in the long-term debt of the Corporation.

SALES

Sales of the Company's products for 1957 were \$65,931,804 as compared to \$62,579,560 for 1956. This increase reflected higher volume in most of the Company's major products, plus a portion of the new plant capacity.

Industrial Chemicals—Sales for 1957 were well above the high levels of the preceding year. Sales of methanol, CSC's primary industrial chemical, were at a peak. New deep water terminals were opened at Los Angeles, San Francisco, Portland and Tacoma. The addition of the west coast ports to the Company's east coast and inland water distribution system further improved our nationwide marketing position.

Sales of methylamines, a major derivative of CSC methanol and ammonia, were increased substantially in anticipation of the new plant capacity under construction for

Tanker unloading
CSC methanol
at a west coast
tank farm.



this product. Sales of other methanol derivatives, formaldehyde and pentaerythritol, were off from the record levels of the previous year. Industrial alcohol products sold well in a firm market. The Company expects to expand its distribution of this product group in 1958.

The opening of new markets for basic nitroparaffins and the dozen nitroparaffin derivatives now available in commercial quantities, has been a major market development undertaking. In some areas substantial progress has been made. In others the task has proved more difficult and time consuming than was originally anticipated. It is expected that the coming year will see improvement in all phases of this operation.

Agricultural Chemicals—Plants producing CSC nitrogen products operated at reasonably high levels throughout the year. A new solid ammonium nitrate fertilizer, sold under the brand name Hi-D®, was introduced during the 1957 fertilizer season. This product found a ready market in direct application and in mixed fertilizers, but technical problems in starting up the expanded plant curtailed the amount of material available for sale. Industrial uses of solid ammonium nitrate and ammonium nitrate solutions were expanded during the year.

CSC salesman
demonstrates
advantages of Hi-D
ammonium nitrate.



While sales of all CSC nitrogen products increased during 1957, the full impact of higher freight rates and freight equalizations (with competitive plants now located in all major consuming areas) resulted in lower profit margins. Selling conditions for nitrogen products were somewhat better than in 1956 due to a late season which resulted in lower inventory carryover at midyear.

Automotive Chemicals—A nationwide oversupply of permanent and methanol types of antifreeze, adversely affected sales of PEAK® and NOR'WAY®, CSC's brand name antifreezes. Market conditions became chaotic in the fourth quarter. Severe price cutting and inventory liquidations were widespread. In partial compensation, the volume of private label antifreeze solutions was higher than in previous years.

An expanded marketing program improved sales of the Nor'way line of automotive specialties, including Dry-Ex®, the fuel line antifreeze.

Animal Nutrition—Sales of CSC vitamin and antibiotic feed supplements for animal health and growth advanced slightly over 1956 levels. A patent was issued to the Company for its development of zinc bacitracin, a more stable form of this useful antibiotic. Research, education and advertising programs in support of Baciferm®, our zinc bacitracin feed supplement, were expanded.

Choline chloride sold in substantially increased volume. This fat utilization vitamin is a derivative of two of CSC's basic products, ammonia and methanol.

The production of butyl solubles was discontinued early in the year. The necessity for this action recognizes that certain of CSC's older fermentation processes are no longer

economic in this period of higher costs for agricultural raw materials, and lower price levels for the finished product.

Pharmaceuticals—The market for cycloserine, the anti-tuberculosis antibiotic made by Commercial Solvents, was expanded. Bulk sales of other antibiotics to the drug trade showed a decline.

The Company is continuing to promote its position as a bulk supplier to the pharmaceuticals industry, and is seeking ways to utilize certain of its idle plant facilities in the biochemicals area of the business.

Thermatomic Products—Shipments of thermal-type carbon blacks declined in 1957. To supply consumer requirements, thermal blacks in pelleted as well as powdered form, were offered to the trade in commercial quantities early in the year. Further expansion of facilities to meet the market needs for pelleted material is under way. The large scale use of Thermatomic's type of carbon blacks in several new applications is being explored.

Export Sales and Licensing—Mexico, Cuba, Central and South America continue as the Company's primary export market for nitrogen fertilizers and animal nutrition products. Sales of nitroparaffins to Japan, Italy and England increased during the year.

The profitable licensing of foreign firms for the manufacture of CSC patented products and the use of Company technology improved. A growing list of antibiotics, plant foods and other chemicals were produced abroad under licensing agreements with the Company.



Baciferm promotion exhibit.

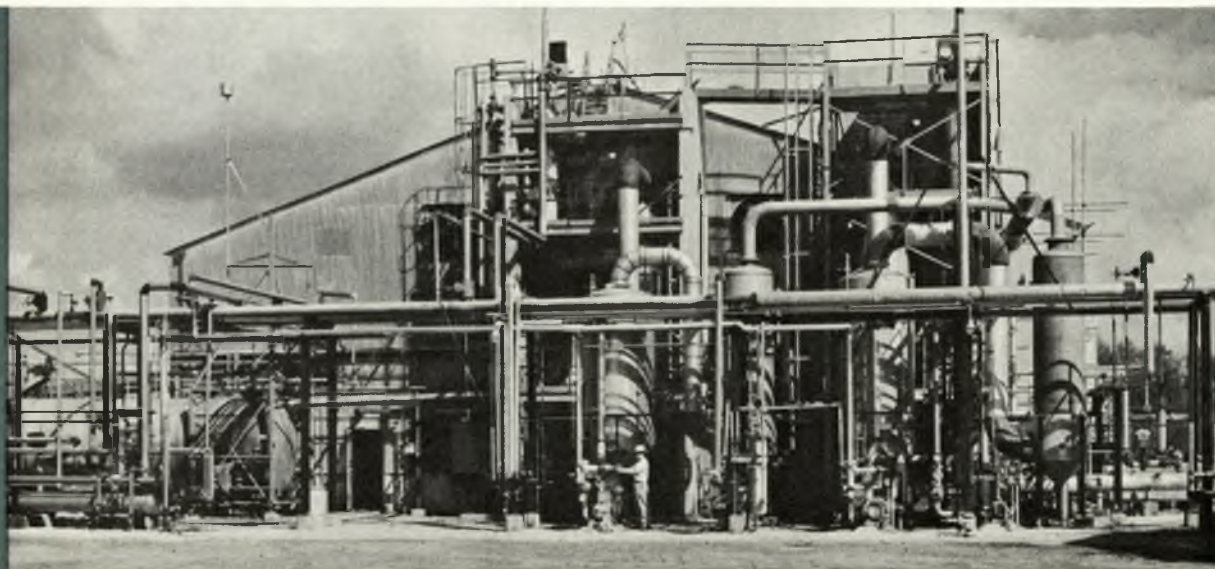
EXPANSION OF PLANTS

Expenditures for new plants, and the expansion and improvement of existing plants, amounted to \$5,069,804 as compared with \$4,142,767 in 1956. Included in these figures are expenditures amounting to \$7,488,325 for the three major projects listed below:

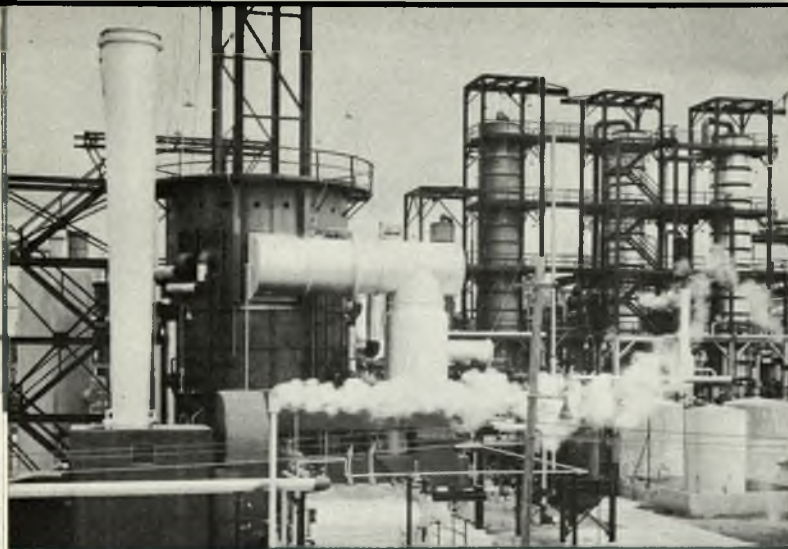
Nitrogen Products at Pace Lake, La.—This project included increased production of nitric acid, nitrogen solutions and solid ammonium nitrate. All units were brought into operation during the first quarter of 1957. Technical problems encountered in the start-up period delayed attainment of satisfactory volume and cost levels for most of the year. By year end, this plant was operating at design capacity and costs were satisfactory.

Methanol Unit at Sterlington, La.—A major expansion increased production of this widely used industrial chemical. The plant was brought on stream in the third quarter and reached full capacity in a relatively short time.

Methylamines Plant at Terre Haute, Ind.—CSC's modest methylamines production facilities were expanded in 1957 with a full scale plant to produce three amines in this group. Operations commenced during the latter part of the year.



Ammonium nitrate plant showing Stengel reactors.



Methanol plant expansion at Sterlington, La.

AFFILIATED OPERATIONS

Thermatomic Carbon Company, in which CSC held a majority interest, was merged into Commercial Solvents Corporation on April 30, 1957, in accordance with terms approved by the stockholders of both companies. CSC owned approximately 68.7 per cent of the outstanding common stock of Thermatomic at the time of the merger. Thermatomic, now operating as a division, makes carbon blacks for industry at its plant which is adjacent to CSC's petrochemicals production center, Sterlington, La.

Comsolmex, S.A., with headquarters in Mexico City, became a wholly owned subsidiary during 1957. This company has been in operation for the past three years for the primary purpose of marketing CSC nitrogen fertilizers and animal nutrition products throughout Mexico.

Northwest Nitro-Chemicals Ltd., Medicine Hat, Alberta, Canada, produces high analysis chemical fertilizers for sale in the prairie provinces of Canada and the Northwest United States. An additional investment of \$1,102,313 was made in 1957 in the com-

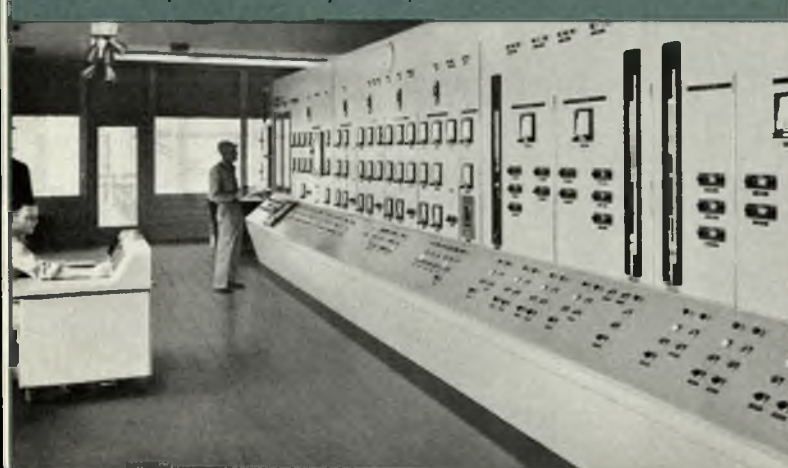
mon and preferred stocks of this company. CSC now owns 52.7 per cent of the common stock, 83.4 per cent of the preferred stock and \$1,000,000 subordinate income debentures 5½s, 1965, for a total investment of \$2,794,223. Commercial production started in December 1956. Production difficulties, not uncommon to chemical plant start-ups, were encountered during 1957. As a result, the company was unable to produce at a level sufficient to obtain its projected share of the market during the normal selling period, which runs from January to June. These factors combined caused Northwest's operations for the year 1957 to result in a substantial loss of which CSC's proportionate share was \$1,505,636. During the latter half of 1957, CSC technical personnel intensified its assistance to Northwest and by year's end all units were operating substantially at rated capacity. Since Northwest's operations did not attain a profitable level, CSC has applied its income from Northwest (represented by fees under its management contract, interest on debentures and royalties) to its investment in that company. Income so applied for the period to December 1957 amounted to \$735,227. Although results for the year 1958 are expected to show substantial improvement they will be adversely affected by 1957 production difficulties and high start-up costs.

Petroquimica de Mexico, S.A., in which Commercial Solvents Corporation owns a one-third interest, was organized during 1957 to convert and market aqua ammonia in the western states of Mexico. Operations got under way in the fourth quarter of 1957.

EMPLOYEES

A mainstay of the Company's community relations program is employee participation in the civic and welfare activities of plant cities. Throughout 1957, Commercial Solvents people at all plants proved themselves and their company to be good citizens by taking an active part in Community Chest and hospital drives, Junior Achievement programs, Red Cross efforts and religious activities. Youth work, including Scouting for boys and girls, and 4 H, chemistry and science clubs, is especially popular with CSC's men and women. Employees at all plants cooperate with local

Control panel in new methylamines plant at Terre Haute, Ind.





CSC Central
Research at
Terre Haute, Ind.

school programs to interest young people in scientific careers. In this regard, many teachers and students visited CSC plants during "Chemical Progress Week."

The Company's overall safety record did not reach the high levels of the previous year, although the plants at Harvey, Louisiana; Agnew, California; and Newark, New Jersey, operated throughout 1957 without lost time accidents. In April, 1957, the Terre Haute, Indiana, and Harvey plants received Certificates of Achievement from the Manufacturing Chemists' Association for their 1956 safety records.

DIRECTORATE AND MANAGEMENT

The Company records with sorrow the death of Leroy A. Lincoln, distinguished member of the Board of Directors, who was Chairman of The Board of the Metropolitan Life Insurance Company. Mr. Lincoln's counsel and guidance as a businessman, scholar and good citizen were always a valuable contribution to the Company's progress.

Elected to the Board of Directors were: Monroe C. Gutman, partner of Lehman Brothers, investment banking; Harold F. McGuire, member of the firm, Wickes, Riddell, Bloomer, Jacobi and McGuire, General Counsel to the Corporation; and James A. McConnell, farmer, agricultural consultant and former Assistant Secretary of the U. S. Department of Agriculture.

Maynard C. Wheeler, Vice President, was named Senior Vice President of the Company. J. F. Dudley, Chief Engineer, was named Vice President-Production and Engineering. Graham W. McMillan, Manager of

Development, became Vice President-Research and Development. William S. Leonhardt, Budget Director, was named Treasurer.

Howard L. Sanders, Vice President and Treasurer, became President of Northwest Nitro-Chemicals Ltd., the Company's Canadian affiliate.

RESEARCH AND DEVELOPMENT

In the past year the Company continued to pursue a balanced program of research in support of its present business and in exploration of new areas for growth and development.

Process and product improvement, particularly in connection with new plant start-ups, received considerable attention from research personnel during the year. Emphasis was also directed toward a major program of product application research in support of the Company's aggressive market development activities on new chemicals.

Exploratory research has been concentrated on selective projects in areas where the Company has either a unique raw materials position or a basis for exploiting a special advantage. Reflecting the broad scope of CSC's operations, these projects have ranged from bactericides to interesting new products in the field of fuels and propellants. Results have been encouraging and are subject to further support.

The management takes this opportunity to express its gratitude to all its employees for their loyalty and cooperation and sincere appreciation to its customers and shareholders for their continued support.

February 24, 1958

J. M. Wood
President



COMMERCIAL

CONSOLIDATED FINANCIAL POSITION

	December 31,	
	1957	1956
CURRENT ASSETS		
Cash	\$ 5,622,138	\$ 8,825,101
U. S. Government and other marketable securities, at cost	305,251	2,552,142
Accounts and notes receivable (less allowance for doubtful accounts)	10,516,671	10,626,667
Inventories, at the lower of average cost or market		
Finished products and materials in process	10,586,907	9,850,386
Raw materials and supplies	3,994,855	4,553,307
Total Current Assets	<u>31,025,822</u>	<u>36,407,603</u>
LESS CURRENT LIABILITIES		
Accounts payable	4,359,328	5,413,267
Accrued Federal income taxes (less U. S. Treasury tax notes at cost of \$290,000 in 1956)	780,052	1,527,904
Other accrued liabilities	2,242,557	2,214,048
Installment on long-term debt due within one year	1,560,000	1,560,000
Total Current Liabilities	<u>8,941,937</u>	<u>10,715,219</u>
WORKING CAPITAL	<u>22,083,885</u>	<u>25,692,384</u>
INVESTMENTS		
Northwest Nitro-Chemicals Ltd.—(see notes)	2,058,996	1,691,910
Other—at cost	256,984	23,087
Total Investments	<u>2,315,980</u>	<u>1,714,997</u>
FIXED ASSETS		
Land, buildings and equipment, at cost	76,277,225	71,485,327
Less accumulated depreciation, amortization and obsolescence	37,214,293	33,910,297
Net Fixed Assets	<u>39,062,932</u>	<u>37,575,030</u>
GOODWILL AND PATENTS	<u>1</u>	<u>1</u>
DEFERRED CHARGES	<u>1,055,137</u>	<u>1,152,290</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>64,517,935</u>	<u>66,134,702</u>
LESS LONG-TERM DEBT AND DEFERRED TAXES		
3¾% Notes payable	21,880,000	23,440,000
Deferred Federal income taxes	4,020,700	2,983,100
SHAREHOLDERS' EQUITY	<u>\$38,617,235</u>	<u>\$39,711,602</u>
SOURCE OF SHAREHOLDERS' EQUITY		
Common stock—\$1.00 par value		
Authorized —3,000,000 shares		
Issued —2,741,422 shares	\$ 6,697,996	\$ 6,697,996
Additional paid-in capital	4,131,528	4,142,600
Earnings retained in business	27,787,711	28,871,006
	<u>\$38,617,235</u>	<u>\$39,711,602</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SOLVENTS CORPORATION

CONSOLIDATED EARNINGS AND SUMMARY OF EARNINGS RETAINED IN BUSINESS

	Year Ended December 31,	
	1957	1956
OPERATING INCOME		
Net sales	\$65,931,804	\$62,579,560
Other operating income	188,957	207,934
	<u>\$66,120,761</u>	<u>\$62,787,494</u>
OPERATING COSTS AND EXPENSES		
Cost of sales	49,796,988	45,463,466
Selling, research and administrative expenses	8,273,513	7,668,207
Depreciation and amortization	3,504,720	3,261,164
	<u>61,575,221</u>	<u>56,392,837</u>
EARNINGS FROM OPERATIONS	4,545,540	6,394,657
OTHER INCOME		
From Northwest Nitro-Chemicals Ltd.		
Relating to operations subsequent to December 1, 1956 (see notes)	679,810	55,417
Application of such income to investment in Northwest Nitro-Chemicals Ltd.	(735,227)	—
Consulting fees and other income relating to construction of plant	37,500	260,428
Miscellaneous income—net	223,315	911,174
	<u>4,750,938</u>	<u>7,621,676</u>
INTEREST ON BORROWINGS	918,000	937,500
EARNINGS BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEM	3,832,938	6,684,176
FEDERAL INCOME TAXES (including deferred taxes—see notes)	2,383,300	3,376,500
EARNINGS BEFORE EXTRAORDINARY ITEM	1,449,638	3,307,676
EXTRAORDINARY ITEM—(see notes)	—	(332,716)
NET EARNINGS FOR YEAR (per share \$.53 in 1957; \$1.09 in 1956)	1,449,638	2,974,960
EARNINGS RETAINED IN BUSINESS AT BEGINNING OF YEAR	28,871,006	28,642,238
	<u>30,320,644</u>	<u>31,617,198</u>
DIVIDENDS PAID TO STOCKHOLDERS		
Commercial Solvents Corporation (\$.925 per share in 1957; \$1.00 in 1956)	2,509,701	2,636,878
Theratomic Carbon Company—minority interests (prior to merger)	23,232	109,314
EARNINGS RETAINED IN BUSINESS AT END OF YEAR	<u>\$27,787,711</u>	<u>\$28,871,006</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

Principles of Consolidation. On April 30, 1957 Thermatomic Carbon Company was merged into Commercial Solvents Corporation. The assets, liabilities and earnings retained in the business of Thermatomic have been carried forward at the amounts recorded on its books in accordance with the pooling of interests principle of accounting. In connection therewith additional paid in capital has been reduced by \$182,913 in 1956 and \$11,072 in 1957. The financial statements as of December 31, 1957 and December 31, 1956 and for the years then ended reflect the combined operations. The accounts of Comsolmex, S.A., a wholly owned Mexican subsidiary, have been included in the consolidation as of January 1, 1956. The net assets of this subsidiary have been converted at the current rate of exchange.

Investment in Northwest Nitro-Chemicals Ltd. The Corporation's investment in Northwest is carried in the accompanying statement of financial position at December 31, 1957 at cost less \$735,227, representing income from Northwest for the period from December 1, 1956 to December 31, 1957. The Corporation's equity in the net assets of Northwest (including \$292,485 represented by intangible assets) is \$1,083,025 less than such net carrying value and its proportionate share of the loss of Northwest for the period to December 31, 1957 amounts to \$1,505,636. See the "Affiliated Operations" section of the President's letter for further information.

Long-Term Debt. Notes under the loan agreements entered into with insurance companies are payable in approximately equal annual installments during the period 1957 through 1972. The loan agreements provide, among other things, that the Corporation may not declare any dividend, other than stock dividends, in excess of consolidated earnings (as defined in the agreements) subsequent to December 31, 1950, plus \$2,500,000. The agreements also require that the declaration of such dividends will not reduce the consolidated working capital to an amount less than \$15,000,000. At December 31, 1957 \$763,496 of the consolidated retained earnings was free of such restrictions.

Stock Options. In 1957 the shareholders approved a revision of the stock option plan which was adopted by the Board of Directors in 1956. The revised plan increased to 100,000 the number of shares of common stock reserved for options, and extended to December 31, 1963 the expiration date of options to purchase 50,000 shares of common stock which were held by

certain key executive employees at December 31, 1956. One option to purchase 4,250 shares was surrendered in 1957. The option price of \$21 per share was in excess of 95% of the market value of the stock when the options were granted and at the time of their extension and modification. Under the revised plan, such options are not generally exercisable prior to December 1, 1958. At December 31, 1957 options to purchase 45,750 shares were outstanding and 54,250 shares were reserved for which options had not been granted.

Price Redetermination. Certain of the Corporation's sales in 1952 and 1953 are subject to price redetermination by the U.S. Government. Provisions for estimated price redetermination refunds were made in the accounts in those years in amounts which the Corporation considered adequate. A compromise settlement has been under mutual consideration since late 1956 which would require a net payment of \$332,716 in excess of the amounts previously provided, which amount was reserved by the Corporation in 1956. However, if government claims and interlocutory administrative decisions, which the Corporation has been contesting and which were made prior to the proposed compromise settlement, were finally sustained, the net amount refundable would be approximately \$570,000 in excess of the amounts provided to date.

Deferred Federal Income Taxes. In its financial statements the Corporation, in accordance with its previous practice, computes the provision for depreciation and amortization by the straight-line method over estimated useful lives. For Federal income tax purposes, however, the portions of plant facilities covered by Certificates of Necessity are amortized over five-year periods, and, beginning in 1955, other plant facilities subsequently acquired are depreciated by the "declining balance" method. The excess of the amortization and depreciation for tax purposes over straight-line depreciation results in temporary tax reductions amounting to \$1,037,600 in 1957 and \$1,048,000 in 1956 which have been charged against earnings and credited to Deferred Federal income taxes. The amounts so deferred will be taken into earnings in future years when depreciation allowable for tax purposes is correspondingly less than provided in the financial statements.

Extraordinary Items. The extraordinary item for 1956 represents the additional provision for price redetermination referred to above.

Auditors' Report

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS
165 BROADWAY
NEW YORK 6

February 3, 1958

The Board of Directors and Shareholders,
Commercial Solvents Corporation

We have examined the accompanying statement of consolidated financial position of Commercial Solvents Corporation and Subsidiaries at December 31, 1957 and the related statement of consolidated earnings and summary of earnings retained in business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of Commercial Solvents Corporation and Subsidiaries at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

Commercial Solvents Corporation

TEN-YEAR FINANCIAL SUMMARY

(AMOUNTS, OTHER THAN PER SHARE FIGURES, EXPRESSED IN THOUSANDS)

EARNINGS DATA (a)

Year	Net Sales	Depreciation and Amortization	NET EARNINGS		Dividends Paid Per Share
			Amount	Per Share	
1948	\$48,027	\$1,225	\$5,905	\$2.15	\$1.50
1949	38,990	1,288	3,634	1.33	1.50
1950	52,630	1,451	5,579	2.04	1.25
1951	65,142	1,639	6,099	2.22	1.25
1952	52,875	2,610	1,096 (b)(c)	.40 (b)(c)	1.00
1953	54,824	3,692	2,435 (b)	.89 (b)	1.00
1954	55,154	3,414	2,890 (b)	1.05 (b)	1.00
1955	60,646	3,388	3,681 (d)	1.34 (d)	1.00
1956	62,580	3,261	3,308 (b)	1.21 (b)	1.00
1957	65,932	3,505	1,450	.53	.925

(a) For all years combines financial information of Thermatomic Carbon Company which was merged into the Corporation as of April 30, 1957. Comsolmex, S.A., wholly owned Mexican subsidiary, included as of January 1, 1956.

(b) After allocation of extraordinary items as shown in 1956 Annual Report.

(c) Exclusive of special income credit—net (principally excess profits tax settlement) \$1,107,000—\$.40 per share.

(d) Includes extraordinary net income of \$312,949, or \$.11 per share, from settlement of a lawsuit instituted by the Corporation.

FINANCIAL POSITION DATA (a)

Dec. 31	WORKING CAPITAL				PLANT AND EQUIPMENT			Shareholders' Equity
	Total Assets	Current Assets	Current Liabilities	Working Capital	Cost	Accumulated Reserves	Long-Term Debt	
1948	\$41,015	\$19,460	\$ 3,706	\$15,754	\$33,116	\$15,189	\$ —	\$34,565
1949	39,909	19,281	3,404	15,877	34,234	16,113	—	34,050
1950	45,230	24,990	6,948	18,042	35,722	17,484	—	36,107
1951	59,784	36,103	9,389	26,714	40,270	19,009	10,000	39,193
1952	69,820	37,183	5,199	31,984	51,596	21,274	25,000	38,579
1953	70,526	31,032	6,604	24,428	62,398	24,824	25,000	38,197
1954	72,641	34,769	7,913	26,856	64,147	28,108	25,000	38,270
1955	74,706	34,934	8,304	26,630	67,786	30,930	25,000	39,134
1956	76,850	36,407	10,715	25,692	71,485	33,910	23,440	39,712
1957	73,460	31,026	8,942	22,084	76,277	37,214	21,880	38,617



Agricultural Chemicals

To satisfy Agriculture's big-tonnage appetite for nitrogen plant food, CSC supplies Hi-D Ammonium Nitrate, new-granule fertilizer, made by a patented CSC process. In addition, CSC produces nitrogen solutions, aqua and anhydrous ammonia. Through fertilizer manufacturers, these products go to help make every acre more productive. Products made for pesticide formulators include Dilan®, ethyl formate and metaldehyde.



Industrial Chemicals

Leading the product list is a new family of chemicals, the Nitroparaffins — nitromethane, nitroethane, 1-nitropropane, 2-nitropropane, and derivatives. A CSC development, the "NP's" open up dynamic, new areas of chemical opportunity — and are already being used in a wide range of industries. Other basic products include ammonia, methanol, ethyl alcohol, butanol, methylamines, formaldehyde and pentaerythritol.



Automotive Specialties

CSC's automotive line includes both private label and branded products such as PEAK® ethylene glycol antifreeze and Nor'way® methanol antifreeze, Nor'way cooling system chemicals and automotive specialties. In addition, last year CSC introduced Peak Nitro Fuel, a new special fuel for racing cars. For home use, CSC markets Quixol® and Quakersol®, proprietary brands of denatured alcohol.



PRODUCT REVIEW



Pharmaceutical Chemicals

Newest antibiotic produced by CSC is cycloserine — used in the treatment of tuberculosis. CSC is also a leading manufacturer of bacitracin and was the first company to produce this antibiotic. Crystalline riboflavin (vitamin B₂) is another item important to the drug field. Other products include anti-enzymes. All CSC drugs are supplied to pharmaceutical companies who market them under their own label.



Animal Nutrition Products

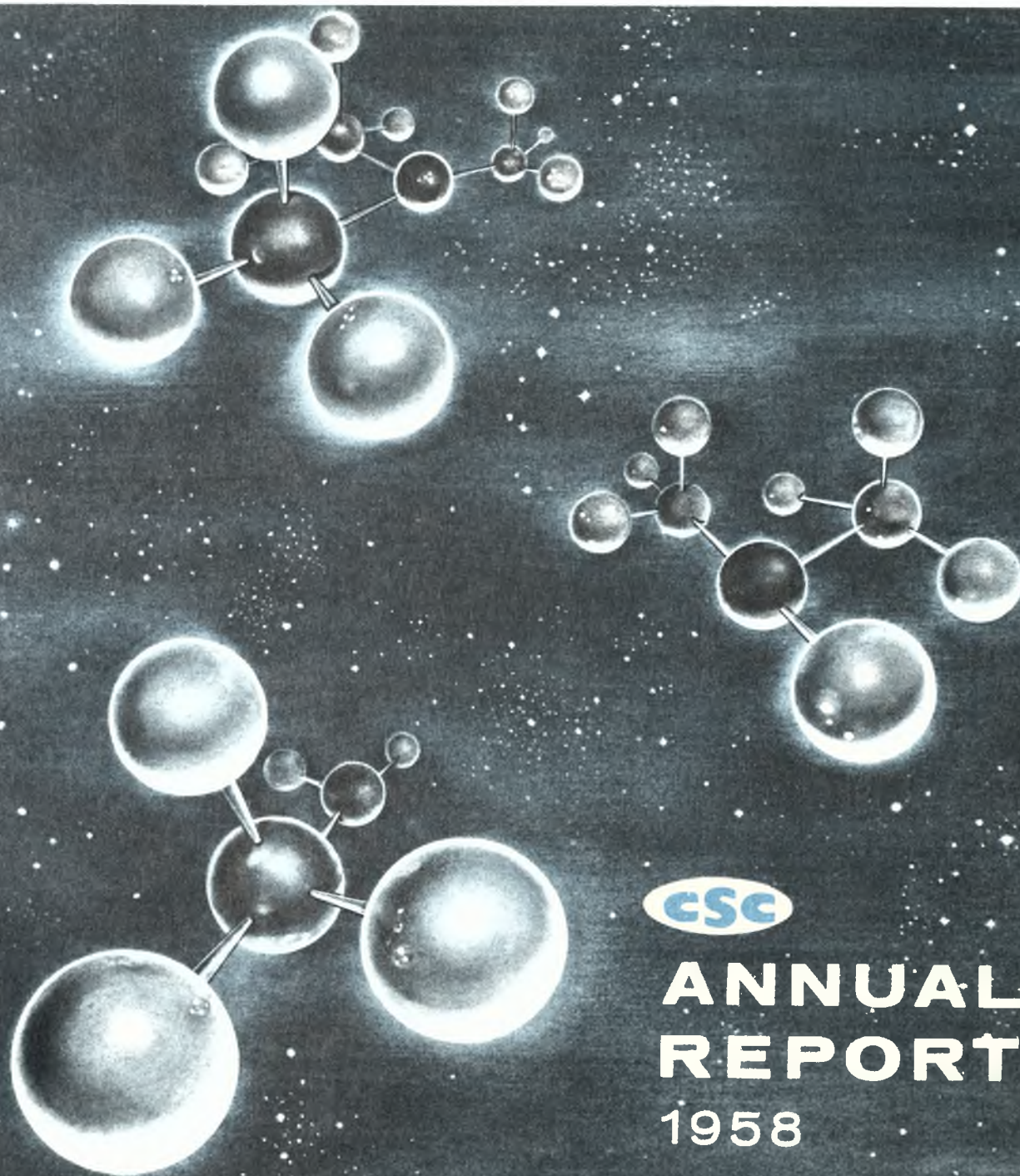
CSC supplies the feed industry with antibiotic and vitamin feed supplements that help produce better broilers, laying hens, turkeys and hogs. Chief among these animal nutrition products are Baciferm® bacitracin antibiotic supplements, B.Y-16® and B.Y-21® riboflavin supplements, multi-vitamin supplements, choline chloride and fermentation solubles.



Thermatonic Carbon Products

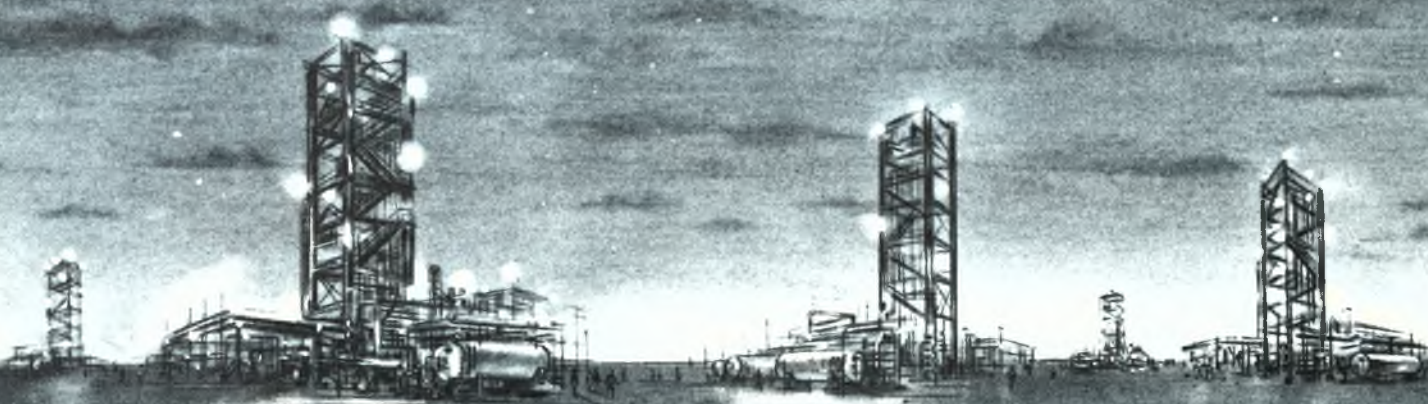
Thermal-type carbon blacks, produced by Thermatonic Carbon division are marketed under the trade names of Thermax® and P-33®. They are available in both powder form and dustless, free flowing pellets. Products are used in the manufacture of a wide variety of mechanical rubber goods, such as molded materials, tubing, gaskets and floor mats, many of which are utilized by the automobile industry.





**ANNUAL
REPORT**
1958

Commercial Solvents Corporation



39th

ANNUAL REPORT

1958

Commercial Solvents Corporation

GENERAL OFFICES:

260 Madison Avenue, New York 16, N. Y.



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- 13 CSC Product Review

COVER: Artist's conception of the molecular structure of the three methylamines made by CSC. Seen in background is the new plant at Terre Haute where these chemicals are produced.

BOARD OF DIRECTORS

Harold W. Comfort
Sydney T. Ellis
William E. S. Griswold, Sr.
Monroe C. Gutman
Harold H. Helm*
Austin S. Igleheart*
Arthur B. Lawrence

James A. McConnell
Harold F. McGuire
Jeremiah Milbank, Jr.*
Ernest W. Reid
Henry V. B. Smith*
Maynard C. Wheeler
J. Albert Woods*

**Member of Executive Committee*

OFFICERS

J. Albert Woods
President
Sydney T. Ellis
Executive Vice President
Maynard C. Wheeler
Senior Vice President
W. Ward Jackson
Vice President
J. Fred Dudley
Vice President

Graham W. McMillan
Vice President
Howard L. Sanders
Vice President
William S. Leonhardt
Treasurer
John A. Uhl
Controller
Alexander R. Bergen
Secretary

TRANSFER AGENT

GUARANTY TRUST COMPANY OF NEW YORK
140 Broadway, New York 15, N. Y.

REGISTRAR

THE CHASE MANHATTAN BANK
11 Broad Street, New York 15, N. Y.

ANNUAL MEETING

The annual meeting of shareholders will be held on April 2, 1959. A notice of the meeting, proxy statement and form of proxy will be sent to all shareholders shortly. It will assist the management in preparing for the meeting if shareholders who do not expect to attend the meeting in person will sign, date and return the proxy promptly.





RESULTS AT A GLANCE

FOR THE YEAR ENDED
DECEMBER 31,

FINANCIAL

	1958	1957
Net Sales	\$64,727,548	\$65,931,804
Federal, State and other taxes	\$ 2,856,623	\$ 2,878,331
Net Earnings	\$ 1,418,462	\$ 1,449,638
Per share of stock.	\$.52	\$.53
Dividends paid	\$ 753,913	\$ 2,532,933
Per share of stock.	\$.275	\$.925
Land, buildings and equipment additions		
Expenditures during the year	\$ 1,452,071	\$ 5,069,804
Authorized but not expended	\$ 615,000	\$ 1,511,000
Working capital at end of year	\$23,165,413	\$21,416,385
Long-term debt	\$20,320,000	\$21,880,000

Number of employees at end of year .	2,126	2,083
Wages and salaries	\$11,530,397	\$11,123,594
Cost of pension and other benefits . . .	\$ 1,016,452	\$ 990,002
Assets employed for each employee . .	\$ 34,787	\$ 35,266

SHAREHOLDERS

Number of shareholders at end of year .	18,406	19,608
Number of shares outstanding	2,741,422	2,741,422
Shareholders' equity.	\$39,281,784	\$38,617,235
Per share of stock outstanding	\$14.33	\$14.09

THE PRESIDENT'S LETTER

To Our Shareholders:

Operations for the first half were affected by the low level of business generally. From a midyear low the Company showed steady improvement throughout the last half, bringing overall earnings up to approximately the level of the previous year.

FINANCIAL

Net earnings for the year were \$1,418,462, or \$.52 per share, after deducting \$682,216, or \$.25 per share, to adjust the carrying value of the Company's investment in its Canadian affiliate, Northwest Nitro-Chemicals Ltd. This compares with net earnings of \$1,449,638, or \$.53 per share, in 1957.

Dividends totaling \$753,913, or \$.27½ per share, were paid on common stock outstanding during 1958. The quarterly dividend rate was adjusted by the Board of Directors during the first and second quarters to establish a balance for the year between earnings paid out and earnings retained in support of the Company's current operations and development program.

Inventories at year end were \$13,223,258 compared with \$14,581,762 for 1957. Working capital rose to \$23,165,413, an increase of \$1,749,028 during the year. Depreciation and amortization in 1958 was \$3,739,761 as against \$3,504,720 for 1957. A reduction of \$1,560,000 was made in the long-term debt of the Corporation.

OPERATIONS

Domestic operations showed a marked improvement over the previous year. Production and sales volume in most lines were higher. Progress was made in our continuing program of replacing marginal sales with more profitable business. This, along with process improvements and a company-wide cost reduction program, lessened the effects of rising raw material and labor costs and generally unsatisfactory price situations brought about by the general business recession during the first six months.



J. Albert Woods

Production

During the year the Company took initial steps to improve its position in natural gas, the major raw material for methanol, ammonia, ammonium nitrate and carbon black. In January, 1959, CSC acquired the assets of Louisiana Gas Production Company comprised principally of gas wells, gathering and transmission lines located in the area of the Corporation's Sterlington, Louisiana, plants. CSC plans to expand these operations to obtain additional supplies of natural gas.

The expanded manufacturing facilities at Sterlington yielded increased quantities of methanol for marketing and for conversion to useful derivatives at other CSC plants. Process development at the Terre Haute chemical derivatives plant expanded the output of methylamines, a group of chemicals made from methanol and ammonia. Improved yields of trimethylamine, one product in this group, has led to greater production of choline, an animal nutrition product.

The Stengel process solid ammonium nitrate facilities at the Sterlington Pace Lake plant functioned at near capacity in 1958, the first full year of expanded operations. Work was under way at year end to further increase the output of Hi-D nitrate at this plant.

Sales

Sales for the year totaled \$64,727,548 compared with \$65,931,804 for 1957. The effects of the recession reduced sales of most major product groups throughout the first half of the year. Improvement in general business during the last half plus an active sales program resulted in sales gains which helped to offset earlier losses in some areas of the Company's business.

Industrial Chemicals—Methanol experienced low sales volume during the first half and a drastic price break at midyear. This was followed by a marked rise in sales during the last half which was continuing as the year ended. An intensified marketing program resulted in new business but at a lower dollar level due to the price break. The Company's basic methanol position and the benefits of expanded operations should contribute to an improved return on this industrial chemical in the year ahead.

Methylamines business was brisk throughout 1958, reflecting the first full year of production from the expanded facilities at Terre Haute. Sales of these chemical intermediates in the first nine months equalled 1957 total sales. The rising pattern of sales in the fourth quarter carried over into the new year.

Sales volume of nitroparaffins and derivatives was ahead of the preceding year. Building on the Company's aggressive program of market development, the outlook for increased sales and earnings from the nitroparaffin products during the coming year seems favorable.



Methylamines Plant

The hydroxylamines, a group of nitroparaffin derivatives, experienced a sharp rise in sales due to new and expanded utilization in a number of industrial processes, including the manufacture of synthetic rubber. In the protective coatings field, 2-nitropropane is attaining wider acceptance as a solvent in the manufacture of the new long-lasting epoxy finishes, now being used by the automobile industry, and in the production of vinyl and resin coatings.

Agricultural Chemicals—The American farmer enjoyed a good year in 1958. Crop production rose and average yields per acre were higher than at any time in the postwar period. The farmer achieved these results on less acreage than he has used in 40 years. This was due in a large part to a continuing advance in crop technology, where plant foods and pesticides have played a major role. At the same time, however, reduced crop acreage allotments and the farm lands taken out of production by the Government's soil bank program worked to hold the entire plant food business at about the same level as for the preceding year and sharply intensified competition for the existing market.

The farmer's high rate of application of all forms of nitrogen fertilizer was not sufficient to consume total production. Competitive market conditions caused by oversupply resulted in a price decline and CSC's Hi-D solid ammonium nitrate fertilizer and Dixsol nitrogen solutions sold at reduced prices in the off-season market. This was somewhat offset by broadened distribution and higher sales of CSC's Hi-D ammonium nitrate.

A number of new ammoniating solutions were added to CSC's line of nitrogen plant foods to meet the varied requirements of mixed fertilizer manufacturers. During 1958, the Company strengthened its position as a supplier of anhydrous ammonia for direct application.

Animal Nutrition—The feed manufacturing industry, CSC's principal market for animal nutrition products, enjoyed a good year in 1958, reflecting agricultural conditions generally. In antibiotics, sales of the stable zinc form of bacitracin, developed by CSC, were twice those of the preceding year. There has been a greatly increased acceptance of zinc bacitracin by swine and poultry growers and by feed manufacturers. This has resulted from the findings of agricultural colleges and experiment stations that zinc bacitracin, unlike some other antibiotics, maintains its effectiveness in promoting poultry and animal health and growth throughout long term use.

In the vitamins group, choline chloride sales were well ahead of the previous year, reflecting increased production and marketing of this fat metabolism vitamin. Market prices followed a downward trend, offsetting to some extent the benefits of expanded operations. Process



Spreading Hi-D

improvements at the Terre Haute methylamines plant during the year yielded additional quantities of trimethylamine, choline's raw material. This, with a minor expansion of the facilities at Peoria, has enabled the Company to maintain a leadership position in the choline market.

Pharmaceuticals—The use of the antibiotic cycloserine for combating tuberculosis continued at levels comparable to the previous year. Sales emphasis was continued on our program of supplying antibiotics and vitamins to the drug industry, and further progress was made in establishing the Company as a custom producer of biochemical products to the trade.

Automotive Specialties—Sales of CSC's Peak and Nor'way brand name antifreezes were off from the preceding year in a highly competitive, oversupplied market. Cutbacks in 1958 new car production were reflected in decreased sales of permanent and temporary type antifreezes to automobile manufacturers for assembly line installation. The year-round sale of automotive chemicals, including car washes, gasoline antifreeze and cooling system products, helped to keep CSC brand names before the motoring public.

Thermatomic Products—Reduced business levels in the automobile and rubber industries were reflected in lower production and sales of thermal type carbon blacks by Thermatomic Carbon Company, a division of CSC. Higher taxes, raw materials and unit production costs adversely affected Thermatomic's contribution to overall CSC operations for the year.

Facilities have been completed for the pelletizing of Thermatomic's full production to satisfy customer preferences for Thermax and P-33 carbon blacks in either pellet or powder forms. Research and development programs to find new large scale applications for Thermatomic products were expanded during the year.

EXPORT SALES AND LICENSING

Agricultural chemicals and animal nutrition products continued to account for the major share of CSC business in the export market. Sales of nitrogen fertilizers and bacitracin feed supplements in the Caribbean, Central and South America areas improved over the previous year. The nitroparaffins and other selected industrial chemicals sold at established levels in European and Far Eastern markets. The Company re-entered the European methanol market during the year. Terminal and storage facilities at the port of Hamburg are being used for the distribution of this industrial chemical.

Operations of COMSOLMEX, CSC's subsidiary in Mexico, were strengthened with intensified marketing programs for Hi-D solid ammonium nitrate fertilizer and Baciferm feed mixtures. A soil test-



Packaging Thermatomic Carbon

ing laboratory and an animal nutrition technical force were added to the customer services offered by COMSOLMEX.

The licensing of foreign firms for the manufacture of CSC patented products and the use of Company technology continued as a profitable area of operations in 1958. Much of this activity was concentrated in Europe and Japan. CSC's licensing program continued to emphasize the Company's patented Stengel process for the efficient production of high density, solid ammonium nitrate fertilizer.

AFFILIATED OPERATIONS

Northwest Nitro-Chemicals Ltd., CSC's Canadian affiliate, showed improvement in its second year of operation. Because of extremely competitive market conditions, however, operations for 1958 resulted in a net loss of \$1,247,000. This compares with a net loss of \$2,681,000 in 1957. CSC's proportionate share of these losses was \$146,772 and \$1,410,087, respectively. Since Northwest's operations did not attain a profitable level, CSC made a substantial reduction in its fee for services rendered to Northwest and also reduced the carrying value of its investment therein by \$682,216. Northwest produces high analysis chemical fertilizers for sale in the prairie provinces of Canada and the northwest United States.

CSC holds a one-third interest in Petroquímica de Mexico, S.A. This company's first year's operations were concentrated on building a market for aqua ammonia in the high yield agricultural regions of northwest Mexico.

DIRECTORATE

We record with sorrow the death of Mr. Willis H. Booth, member of the Board of Directors, on February 21, 1958. Mr. Booth served CSC long and well, having become a member of the Board in 1920, shortly after the Company was founded. Following Mr. Booth's death, the Board of Directors, at the February 24, 1958 meeting, voted to reduce its membership by one.

EMPLOYEES

CSC enjoyed good labor relations throughout 1958. There were no work stoppages. The Company's overall safety record was better than for the preceding year. The number of work days lost because of accidents dropped sharply. There were no fatalities in any of CSC's plants during 1958.

CSC's employees at all levels continued to make a valuable contribution to the Company's plant community relations program by taking active roles in worthwhile civic and welfare activities. The Company maintained its program of endorsing employee sponsorship





Mass Spectrometer

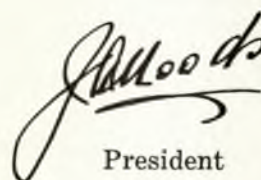
of Junior Achievement Programs which prepare young people for roles in the business world through realistic experience. In cooperation with the chemical industry and Boards of Education in plant cities, our program to interest qualified high school students in chemical careers was continued. Guided tours for class groups through CSC plants were conducted throughout the school year.

RESEARCH AND DEVELOPMENT

The search for new and more profitable products continued through a balanced research program in support of existing operations and in exploration of new areas within the Company's range of interest. A major goal of CSC research has been to extend and expand the Company's present business to provide the benefits of an integrated chemical position in its principal products.

Results have been encouraging and continued emphasis on improvement of operations plus an aggressive program of exploration should be expected to develop beneficial processes, applications, and additional new CSC products.

The management wishes to express its sincere appreciation for the interest and support of shareholders, customers and employees.


President

February 6, 1959



TEN-YEAR FINANCIAL SUMMARY

(AMOUNTS, OTHER THAN PER SHARE FIGURES, EXPRESSED IN THOUSANDS)

EARNINGS DATA (a)

Year	Net Sales	Depreciation and Amortization	NET EARNINGS		Dividends Paid Per Share
			Amount	Per Share	
1949	\$38,990	\$1,288	\$3,634	\$1.33	\$1.50
1950	52,630	1,451	5,579	2.04	1.25
1951	65,142	1,639	6,099	2.22	1.25
1952	52,875	2,610	1,096 (b) (c)	.40 (b) (c)	1.00
1953	54,824	3,692	2,435 (b)	.89 (b)	1.00
1954	55,154	3,414	2,890 (b)	1.05 (b)	1.00
1955	60,646	3,388	3,681 (d)	1.34 (d)	1.00
1956	62,580	3,261	3,308 (b)	1.21 (b)	1.00
1957	65,932	3,505	1,450	.53	.925
1958	64,728	3,740	1,418	.52	.275

(a) For all years combines financial information of Thermatomic Carbon Company which was merged into the Corporation as of April 30, 1957. Camsolmex, S.A., wholly owned Mexican subsidiary, included as of January 1, 1956.

(b) After allocation of extraordinary items as shown in 1956 Annual Report.

(c) Exclusive of special income credit—net (principally excess profits tax settlement) \$1,107,000—\$.40 per share.

(d) Includes extraordinary net income of \$312,949, or \$.11 per share, from settlement of a lawsuit instituted by the Corporation.

FINANCIAL POSITION DATA (a)

Dec. 31	Total Assets	WORKING CAPITAL			PLANT AND EQUIPMENT			Shareholders' Equity
		Current Assets	Current Liabilities	Working Capital	Cost	Accumulated Reserves	Long-Term Debt	
1949	\$39,909	\$19,281	\$ 3,404	\$15,877	\$34,234	\$16,113	\$ —	\$34,050
1950	45,230	24,990	6,948	18,042	35,722	17,484	—	36,107
1951	59,784	36,103	9,389	26,714	40,270	19,009	10,000	39,193
1952	69,820	37,183	5,199	31,984	51,596	21,274	25,000	38,579
1953	70,526	31,032	6,604	24,428	62,398	24,824	25,000	38,197
1954	72,641	34,769	7,913	26,856	64,147	28,108	25,000	38,270
1955	74,706	34,934	8,304	26,630	67,786	30,930	25,000	39,134
1956	76,850	36,407	10,715	25,692	71,485	33,910	23,440	39,712
1957	73,460	30,358	8,942	21,416	76,277	37,214	21,880	38,617
1958	73,958	32,770	9,605	23,165	77,306	40,597	20,320	39,282



Commercial Solvents

Consolidated Financial Position

	December 31,	
	1958	1957
CURRENT ASSETS		
Cash	\$ 6,942,499	\$ 5,622,138
U. S. Government and other marketable securities, at cost	2,404,614	305,251
Accounts and notes receivable (less allowance for doubtful accounts)	10,199,715	9,849,171
Inventories, at the lower of average cost or market		
Finished products and materials in process	9,299,380	10,586,907
Raw materials and supplies	3,923,878	3,994,855
Total Current Assets	<u>32,770,086</u>	<u>30,358,322</u>
LESS CURRENT LIABILITIES		
Accounts payable	4,073,760	4,359,328
Accrued Federal income taxes	1,779,176	780,052
Other accrued liabilities	2,191,737	2,242,557
Installment on long-term debt due within one year	1,560,000	1,560,000
Total Current Liabilities	<u>9,604,673</u>	<u>8,941,937</u>
WORKING CAPITAL	<u>23,165,413</u>	<u>21,416,385</u>
INVESTMENTS AND OTHER ASSETS		
Northwest Nitro-Chemicals Ltd.—(see notes)	2,044,280	2,726,496
Other investments—at cost	412,031	256,984
Non-current notes receivable	800,635	—
Total Investments and Other Assets	<u>3,256,946</u>	<u>2,983,480</u>
FIXED ASSETS		
Land, buildings and equipment, at cost	77,305,510	76,277,225
Less accumulated depreciation, amortization and obsolescence	40,596,602	37,214,293
Net Fixed Assets	<u>36,708,908</u>	<u>39,062,932</u>
GOODWILL AND PATENTS	<u>1</u>	<u>1</u>
DEFERRED CHARGES	<u>1,222,216</u>	<u>1,055,137</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>64,353,484</u>	<u>64,517,935</u>
LESS LONG-TERM DEBT AND DEFERRED TAXES		
3¾% Notes payable	20,320,000	21,880,000
Deferred Federal income taxes	4,751,700	4,020,700
SHAREHOLDERS' EQUITY	<u>\$39,281,784</u>	<u>\$38,617,235</u>
SOURCE OF SHAREHOLDERS' EQUITY		
Common stock—\$1.00 par value		
Authorized —3,000,000 shares		
Issued —2,741,422 shares	\$ 6,697,996	\$ 6,697,996
Additional paid-in capital	4,131,528	4,131,528
Earnings retained in business	28,452,260	27,787,711
	<u>\$39,281,784</u>	<u>\$38,617,235</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Corporation

Consolidated Earnings and Summary of Earnings Retained in Business

	Year Ended December 31,	
	1958	1957
OPERATING INCOME		
Net sales	\$64,727,548	\$65,931,804
Other operating income	302,660	188,957
	<u>65,030,208</u>	<u>66,120,761</u>
OPERATING COSTS AND EXPENSES		
Cost of sales	48,391,296	49,796,988
Selling, research and administrative expenses	8,057,181	8,273,513
Depreciation and amortization	3,739,761	3,504,720
	<u>60,188,238</u>	<u>61,575,221</u>
EARNINGS FROM OPERATIONS	4,841,970	4,545,540
OTHER INCOME		
Management and consulting fees, etc., from Northwest Nitro-Chemicals Ltd.	122,216	717,310
Adjustment of carrying value of investment in Northwest Nitro-Chemicals Ltd. (see notes)	(682,216)	(735,227)
Miscellaneous income—net	281,492	223,315
	<u>(278,508)</u>	<u>205,398</u>
EARNINGS BEFORE INTEREST AND FEDERAL INCOME TAXES	4,563,462	4,750,938
INTEREST ON BORROWINGS	859,500	918,000
EARNINGS BEFORE FEDERAL INCOME TAXES	3,703,962	3,832,938
FEDERAL INCOME TAXES (including deferred taxes—see notes)	2,285,500	2,383,300
NET EARNINGS FOR YEAR (per share \$.52 in 1958; \$.53 in 1957)	1,418,462	1,449,638
EARNINGS RETAINED IN BUSINESS AT BEGINNING OF YEAR	27,787,711	28,871,006
	<u>29,206,173</u>	<u>30,320,644</u>
DIVIDENDS PAID TO SHAREHOLDERS		
Commercial Solvents Corporation (\$.275 per share in 1958; \$.925 in 1957)	753,913	2,509,701
Thermatomic Carbon Company—minority interests (prior to merger)	—	23,232
EARNINGS RETAINED IN BUSINESS AT END OF YEAR	\$28,452,260	\$27,787,711

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

Principles of Consolidation. The consolidated financial statements include the accounts of all wholly-owned subsidiaries. The accounts of Comsolmex, S.A., a wholly-owned Mexican subsidiary, have been converted at the current rate of exchange.

Investment in Northwest Nitro-Chemicals Ltd. The Corporation's investment in Northwest is carried in the accompanying statement of financial position at December 31, 1958 as follows:

Investment in 52.7% of the common stock, 83.4% of the preferred stock and \$1,000,000 (11.8%) of the subordinate income debentures 5½s, 1965, at cost	\$2,794,223
Non-current amount receivable	667,500
	<u>3,461,723</u>
Less: Adjustment to carrying value	1,417,443
Net carrying value	<u>\$2,044,280</u>

The Corporation's equity at December 31, 1958 in the net assets of Northwest (including \$238,931 represented by intangible assets) is \$547,581 less than such net carrying value. Northwest's unaudited net loss was \$1,247,000 for the calendar year 1958 and \$2,681,000 for the calendar year 1957, the Corporation's proportionate share thereof being \$146,772 and \$1,410,087, respectively. No dividends have been received from Northwest.

Long-Term Debt. Notes under the loan agreements entered into with insurance companies are payable in approximately equal annual installments through 1972. The loan agreements provide, among other things, that the Corporation may not declare any dividend, other than stock dividends, in excess of 100% of consolidated earnings (as defined in the agreements) during the years 1951-1957 and 75% thereafter, plus \$2,500,000. The agreements also require that the declaration of such dividends will not reduce the consolidated working capital to an amount less than \$15,000,000. At December 31, 1958 \$1,585,091 of the consolidated retained earnings was free of such restrictions.

Stock Options. Options to purchase 45,750 shares were held by certain key executive employees at December 31, 1957 and December 31, 1958. The option price of \$21 per share was in excess of 95% of the market value of the stock when the options were granted. Such options became exercisable December 1, 1958 and expire December 31, 1963. No options were granted or exercised during 1958. At December 31, 1957 and 1958 an additional 54,250 shares were reserved for options which had not been granted.

Price Redetermination. Certain of the Corporation's sales in 1952 and 1953 are subject to price redetermination by the U.S. Government. Provisions for estimated price redetermination refunds, which the Corporation considered adequate, were made in the accounts. However, if government claims and interlocutory administrative decisions, which the Corporation has been contesting,

were finally sustained, the net amount refundable would be approximately \$570,000 in excess of the amounts provided to date.

Deferred Federal Income Taxes. In its financial statements the Corporation, in accordance with its previous practice, computes the provision for depreciation and amortization by the straight-line method over estimated useful lives. For Federal income tax purposes, however, the portions of plant facilities covered by Certificates of Necessity are amortized over five-year periods, and other plant facilities acquired subsequent to 1954 are depreciated by the "declining balance" method. The excess of the amortization and depreciation for tax purposes over straight-line depreciation results in temporary tax reductions amounting to \$731,000 in 1958 and \$1,037,600 in 1957 which have been charged against earnings and credited to Deferred Federal income taxes. The amounts so deferred will be taken into earnings in future years when depreciation allowable for tax purposes is correspondingly less than provided in the financial statements.

Auditors' Report

ARTHUR YOUNG & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

165 BROADWAY
NEW YORK 6

February 6, 1959

The Board of Directors and Shareholders,
Commercial Solvents Corporation

We have examined the accompanying statement of consolidated financial position of Commercial Solvents Corporation and Subsidiaries at December 31, 1958 and the related statement of consolidated earnings and summary of earnings retained in business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of Commercial Solvents Corporation and Subsidiaries at December 31, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

CSC PRODUCT REVIEW

AGRICULTURAL CHEMICALS

To satisfy Agriculture's big-tonnage appetite for nitrogen plant food, CSC supplies Hi-D® Ammonium Nitrate, new granule fertilizer, made by a patented CSC process. In addition, CSC produces nitrogen solutions, aqua and anhydrous ammonia. Through fertilizer manufacturers, these products go to help make every acre more productive. Products made for pesticide formulators include Dilan®, ethyl formate and metaldehyde.



INDUSTRIAL CHEMICALS

Leading the product list is a new family of chemicals, the Nitro-paraffins — nitromethane, nitroethane, 1-nitropropane, 2-nitropropane, and derivatives. A CSC development, the "NP's" open up dynamic, new areas of chemical opportunity — and are already being used in a wide range of industries. Other basic products include ammonia, methanol, ethyl alcohol, butanol, methylamines, formaldehyde and pentaerythritol.



AUTOMOTIVE SPECIALTIES

CSC's automotive line includes both private label and branded products such as PEAK® ethylene glycol antifreeze and Nor'way® methanol antifreeze. Nor'way cooling system chemicals include cleaner, quick-flush, stop leak and antirust. Other Nor'way products are car wash, windshield fluid and Dry-Ex®... gasoline antifreeze. For home use, CSC markets Quixol® and Quakersol®, proprietary brands of denatured alcohol.



PHARMACEUTICAL CHEMICALS

Newest antibiotic produced by CSC is cycloserine — used in the treatment of tuberculosis. CSC is also a leading manufacturer of bacitracin and was the first company to produce this antibiotic. Crystalline riboflavin (vitamin B₂) is another item important to the drug field. Other products include antienzymes. All CSC drugs are supplied to pharmaceutical companies who market them under their own label.



ANIMAL NUTRITION PRODUCTS

CSC supplies the feed industry with antibiotic and vitamin feed supplements that help produce better broilers, laying hens, turkeys and hogs. Chief among these animal nutrition products are Baciferm® zinc bacitracin antibiotic supplements, B.Y-16® and B.Y-21® riboflavin supplements, multivitamin supplements, choline chloride and fermentation solubles.



THERMATOMIC CARBON PRODUCTS

Thermal-type carbon blacks, produced by Thermatomic Carbon division are marketed under the trade names of Thermax® and P-33®. They are available in both powder form and dustless, free flowing pellets. Products are used in the manufacture of a wide variety of mechanical rubber goods, such as molded materials, tubing, gaskets and floor mats, many of which are utilized by the automobile industry.





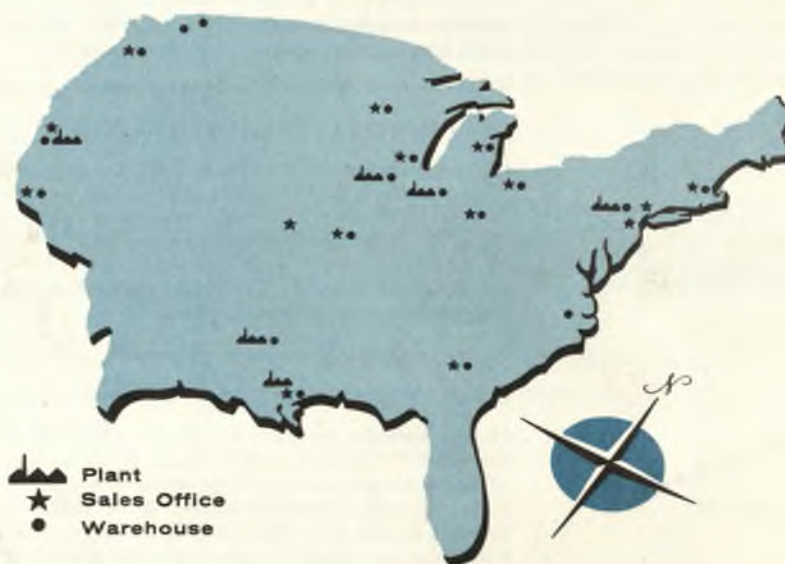
PLANTS



Sterlington, Louisiana
Harvey, Louisiana
Agnew, California

Terre Haute, Indiana
Peoria, Illinois
Newark, New Jersey

SALES OFFICES



AGENTS



Agents in 21 U. S. cities



Representatives in 52
Foreign Countries

MAR 15 1960

40th
Annual Report
1959

CSC

Commercial Solvents Corporation

40th
Annual
Report
1959

Commercial
Solvents
Corporation

260 Madison Avenue
New York 16, N. Y.

BOARD OF DIRECTORS

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JEREMIAH MILBANK, JR. (*Chairman)
ARTHUR E. PALMER, JR.
H. V. SHERRILL*
PAUL V. SHIELDS*
MAYNARD C. WHEELER*

*Member of Executive Committee

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J. FRED DUDLEY, *Vice President*
W. WARD JACKSON, *Vice President*
WILLIAM S. LEONHARDT, *Vice President & Treasurer*
GRAHAM W. McMILLAN, *Vice President*
HOWARD L. SANDERS, *Vice President*
JOHN A. UHL, *Controller*
ALEXANDER R. BERGEN, *Secretary*

TRANSFER AGENT

CHEMICAL BANK NEW YORK TRUST COMPANY
30 Broad Street, New York 15, N. Y.

REGISTRAR

THE CHASE MANHATTAN BANK
11 Broad Street, New York 15, N. Y.

ANNUAL MEETING

The annual meeting of shareholders will be held on April 7, 1960. A notice of the meeting, proxy statement and form of proxy will be sent to all shareholders shortly. It will assist the management in preparing for the meeting if shareholders who do not expect to attend the meeting in person will sign, date and return the proxy promptly.

HIGHLIGHTS

	1959	1958
Net Sales	\$70,381,175	\$64,727,548
Federal, State and other taxes	\$ 4,754,417	\$ 2,856,623
Net Earnings	\$ 2,850,740	\$ 1,418,462
Per share of stock	\$1.02	\$.51*
Dividends paid		
In cash	\$ 685,356	\$ 753,913
Per share of stock	\$.25	\$.275
In stock	2%	—
Land, buildings and equipment additions:		
Expenditures during the year	\$ 1,352,421	\$ 1,452,071
Authorized but not expended	\$ 249,000	\$ 615,000
Working capital at end of year	\$27,362,844	\$23,165,413
Long-term debt	\$18,760,000	\$20,320,000
Number of employees at end of year	2,036	2,126
Wages and salaries	\$11,680,749	\$11,530,397
Cost of pension and other benefits	\$ 1,051,846	\$ 1,016,452
Assets employed for each employee	\$37,519	\$34,787
Number of shareholders at end of year	17,158	18,406
Number of shares outstanding	2,796,250	2,741,422
Shareholders' equity	\$41,447,168	\$39,281,784
Per share of stock outstanding	\$14.82	\$14.05*

*Adjusted to reflect 2% stock dividend
issued December 31, 1959

Look to
CSC
for

CHEMICALS FOR INDUSTRY



Methanol units



Nitroparaffin plant



Thermatomic carbon products

Methylamines plant



Nitroparaffin derivatives unit

The President's Letter

Net earnings for 1959 rose sharply in comparison with the past two years and were well ahead of the average earnings increase for the chemical industry. The year, in general, was one of constructive improvement.

Following an orderly transfer of top management responsibilities early in the year, considerable headway was made in shaping policies and plans for improving the return on investment, and for directing the Company's growth along more profitable lines. A number of programs implementing these plans were put into effect, with special emphasis being given to such matters as expansion of the well established and profitable areas of Company business, and full utilization of existing facilities.

Among the initial results of these efforts were the year end declaration of a stock dividend and an extra cash dividend.

While much needs to be done before the Company's development can be termed satisfactory, a good start in the right direction has been made. This and related matters are discussed in the remainder of this letter.

Financial Summary

Net earnings for the year were \$2,850,740, or \$1.02 per share, as compared with \$1,418,462,

or \$.51 per share in 1958, an increase of 100%. Earnings per share for each period are based on the 2,796,250 shares outstanding after giving effect to the 2% stock dividend paid in 1959. Sales in 1959 totaled \$70,381,175, an increase of 9% over the prior year's sales.

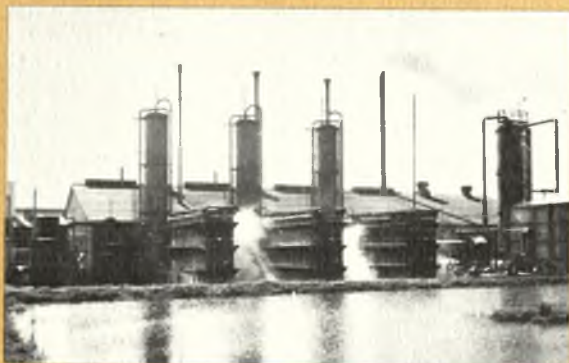
Net earnings in 1959 are after deducting \$833,173, or \$.30 per share, to adjust the carrying value of the Company's investments in its Canadian and Mexican affiliates. This compares with a deduction of \$682,216, or \$.24 per share in 1958. Also, provision for accounts receivable, considered to be uncollectible, was substantially increased in 1959 to \$556,856 from \$58,496 in 1958.

Dividends totaling \$685,356, or \$.25 (including year end extra of \$.05 per share) were paid on common stock outstanding during 1959, in addition to the 2% stock dividend mentioned above. A reduction of \$1,560,000 was made in the long-term debt of the Corporation.

Inventories at year end were \$13,497,184 compared with \$13,223,258 for 1958. Working capital was \$27,362,844 at year end, an increase of \$4,197,431 during the year. Depreciation, depletion and amortization in 1959 was \$3,680,229 as against \$3,739,761 for 1958.

Look to
csc
for

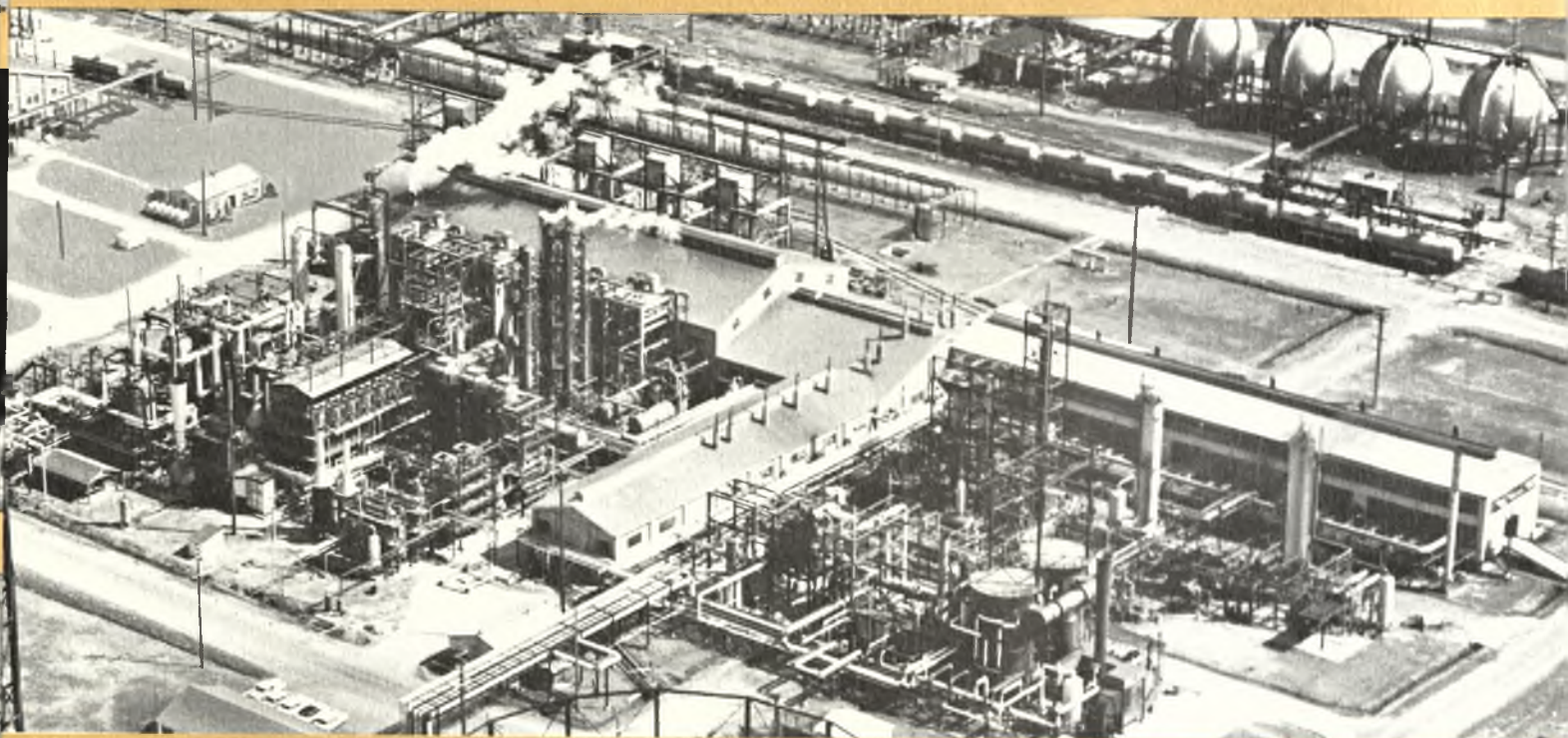
NITROGEN PRODUCTS



Nitric acid unit



Shipping nitrogen solutions and ammonia



Anhydrous ammonia units



Ammonium nitrate plant



Stengel reactor for
ammonium nitrate



Packaging Hi-D®
ammonium nitrate

Statement of Management Objectives

Success in the chemical industry requires that a company take appropriate action with regard to two fundamental facts. The first of these facts is that modern chemistry is a fast moving, fast changing business in which new and better developments are the rule rather than the exception. The second is that, even though modern chemistry has made many important contributions to industry, agriculture, and health, actually it has just begun to exercise its full potential for bringing chemical benefits to mankind.

These facts have created a highly competitive and challenging situation within the chemical industry. To be successful in this environment, a company must have sound programs for the continuous improvement of its current operations, and for choosing and exploring potentially profitable areas of chemistry's still limitless frontiers.

Accordingly, Commercial Solvents' Board of Directors and management have, during 1959, formulated a set of basic policies for increasing the immediate and long term return on investment in the Company. As stockholders, the objectives of these policies are important to you.

They are:

- The immediate improvement of earnings and the Company's ability to compete through greater efficiencies in costs and operations.
- The expansion of those areas of current Company business in which CSC has a basic or otherwise sound competitive position.
- The establishment of a sound position in additional areas of chemistry through research, joint ventures, acquisitions of other companies, and other avenues of corporate development.
- The replacement of those areas of our business which are either unprofitable or marginal in earnings, and are not subject to improvement.
- The expansion of the Company's world wide relationships to obtain new products and processes, and to increase the use of CSC products and processes abroad.

Significant Developments During 1959

A number of activities in pursuit of these objectives were put into effect during 1959. Beneficial results are being obtained from a continuing Company wide profit improvement and cost reduction program. The Company's employees at all levels are giving full support to this program through the application of their considerable talents and experience to the achievement of greater efficiencies in sales, production, research, and administrative functions.

As part of the effort to reduce raw material costs, the Louisiana Gas Production Company, the assets of which CSC acquired in January 1959, drilled a number of new wells during the year. All are producing satisfactorily. The expansion of Louisiana Gas Production operations continues to improve the Company's position in acquiring natural gas over the long term at competitive costs.

METHANOL OPERATIONS—The production, sales, and contribution to earnings of methanol and derivatives, a major area of our business, reached an all time high in 1959. More methanol will become available in 1960 as the result of process improvements which reduce the quantities required for derivatives production.

During 1959, the Company further expanded its methanol market in Europe. Efficient distribution throughout a major portion of the European methanol market was achieved through the use of tank terminal facilities at Hamburg, Germany.

Methylamines business continued to advance throughout 1959. Process improvements increased our output of these methanol derivatives for captive use and marketing purposes.

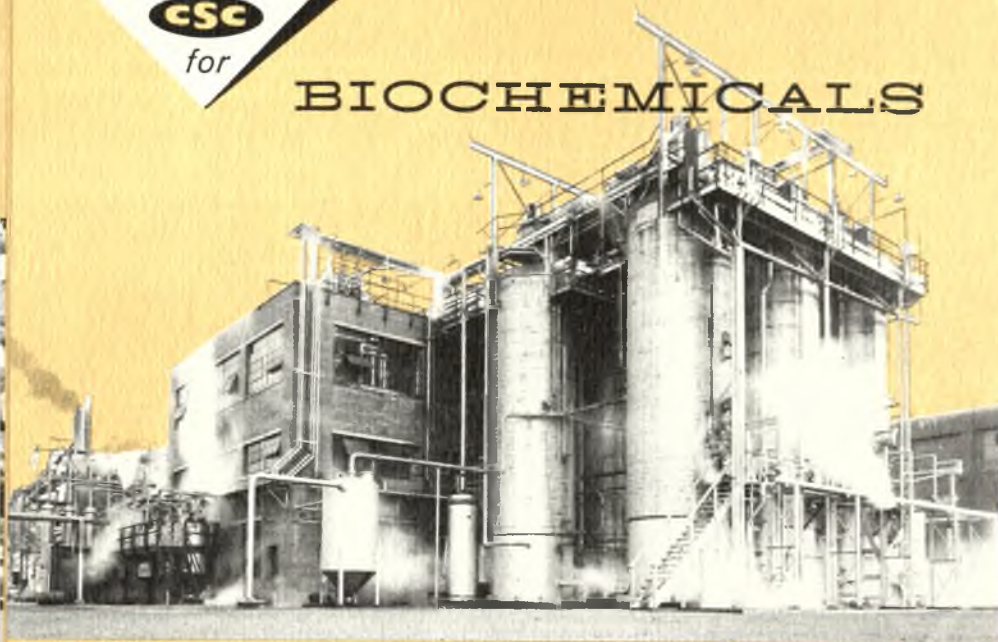
Commercial Solvents Corporation has been a major factor in the methanol market since 1927, when the Company pioneered the production of this basic industrial chemical by modern, high pressure synthesis methods. Our 1959 methanol activities continued the expansion of our well established position in this field.

Look to

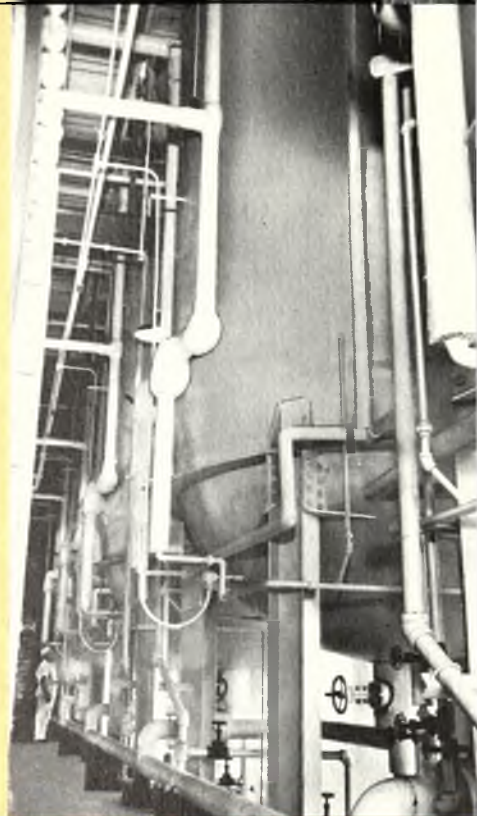
CSC

for

BIOCHEMICALS



Zinc bacitracin production facilities



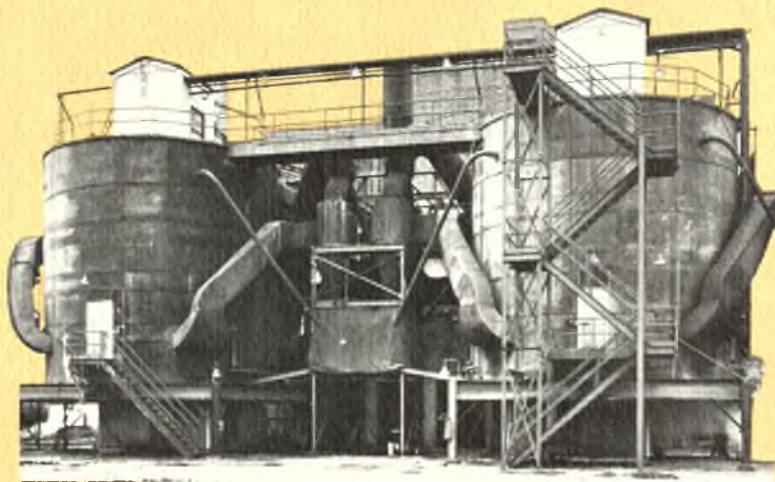
Vitamin fermentation units



Production facilities for animal feed products



Packaging bulk pharmaceuticals



Spray driers for animal feed supplements



NITROGEN OPERATIONS—Nitrogen products for agriculture and industry made an improved contribution to sales and earnings. The American farmer continued to increase his high rate of application of nitrogen fertilizer in 1959. Company sales of anhydrous ammonia for direct application to the soil rose sharply. Commercial Solvents' position as a basic nitrogen producer made it possible to adjust production so as to meet shifts in customer preference.

Pilot plant operations were established during the year for the production of DRI-SOL, a new highly concentrated nitrogen fertilizer solution. Full scale output and marketing will get under way in 1960. DRI-SOL is a development of CSC research. Patents have been applied for.

The Company's established position in the nitrogen field dates from the construction and operation of ammonia production facilities for the Government during World War Two. In 1946, CSC entered the anhydrous ammonia market as a basic producer, and has since expanded into the manufacture of Dixsol nitrogen solutions, and its own patented Hi-D® solid ammonium nitrate. Nitrogen operations continue as a growing area of CSC business.

NITROPARAFFIN OPERATIONS—While the sale of nitroparaffins and derivatives showed some improvement in 1959, results were not up to expectation. This large family of industrial chemicals was brought to levels of commercial usefulness by the Company some years ago. Although still attractive as a potential area of growth, the role of the nitroparaffins in CSC's domestic and foreign operations requires further definition.

ANTIBIOTIC AND VITAMIN OPERATIONS—CSC's patented position as the originator and exclusive producer of the antibiotic zinc bacitracin for the animal feed industry was strengthened in 1959 as the result of the favorable settlement of a suit brought by the Company against a competitor. Zinc bacitracin, a product of CSC research, is widely used in the feed industry because of its unique qualities for stimulating animal and poultry health and growth without loss of potency while awaiting use.

A new use for zinc bacitracin—the palatable preservation of silage—was developed during the year. Tests by a number of agricultural experiment stations showed that silage spoilage, long a farm problem, is effectively prevented by the addition of zinc bacitracin to a silo's contents. The marketing of zinc bacitracin for this purpose under the trade name, "Silotracin", will begin early in 1960.

Cycloserine received greater medical acceptance in 1959. This antibiotic continues to show effectiveness in treating tuberculosis and certain other serious infections.

As the result of an industry-wide sales promotion effort to interest other companies in the use of CSC know-how and facilities for custom chemical production, some progress was made in getting the Company's biochemical plants back to work on a full time basis. This program is continuing into 1960.

THERMAL CARBON BLACK OPERATIONS—The Thermatomic Carbon Division improved its contribution to Company sales and earnings in 1959. The recovery of the rubber and automotive industries in the United States from the 1958 recession, and increased demand for carbon blacks abroad, were reflected in Thermatomic's operations. Capacity of the plant at Sterlington, Louisiana, was increased through relatively low cost process improvements. Production for the year was at record levels. The outlook for carbon black sales in 1960 is good, with new markets anticipated in certain areas of the plastics industry.

AFFILIATED OPERATIONS—At Northwest Nitro-Chemicals Ltd., our Canadian affiliate, a number of management, marketing, and financial changes were made to curtail losses which have persisted since the startup of operations. Northwest produces high analysis fertilizers for marketing in the prairie provinces of Canada and the northwest United States. A revision of Northwest's marketing methods resulted in encouraging sales improvement as the 1959-60 fertilizer season opened.

Following default by Northwest Nitro-Chemicals on part of the payments due on its



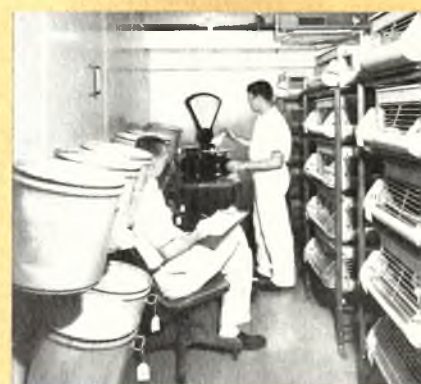
RESEARCH AND DEVELOPMENT



High pressure synthesis



NP derivatives development



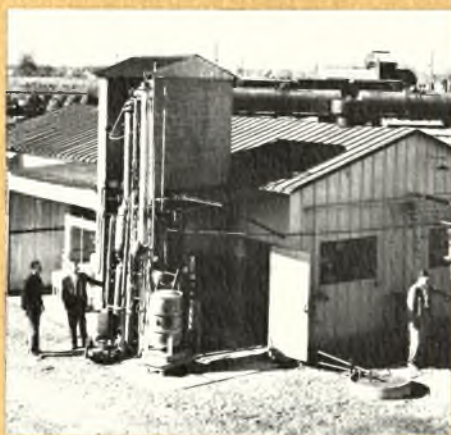
Animal nutrition research



Central research center—Terre Haute, Indiana



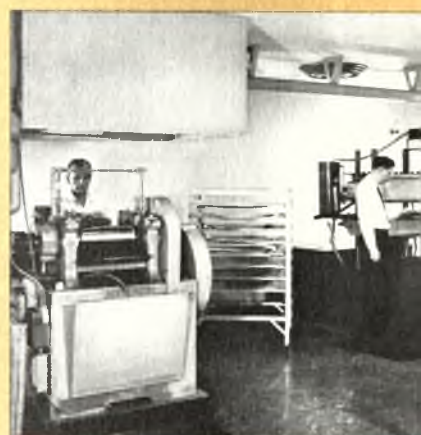
Biochemical process development



Nitrogen process development



Distillation columns



Thermatomic carbon research

first-mortgage bonds on June 30, 1959, an arrangement was approved by the interested parties, subject to the sanction of the Supreme Court of Alberta, Canada, providing for certain changes in its capitalization, and readjustment of certain of its present and future obligations, including the cancellation of the existing management agreement with CSC. The holdings of CSC in Northwest's common stock will, under the proposed arrangement, be reduced from 52.7% to 45.1%. CSC will continue to participate actively in the affairs of Northwest.

The activities of Comsolmex, S.A., the Company's wholly-owned subsidiary, have been hampered because of import restrictions on the shipment of nitrogen chemicals from the United States to Mexico. Plans for expanding the facilities and operations of Petroquimica, S.A., in which CSC holds a one-third interest, have been temporarily suspended because of a Mexican statute which affects the manufacture of ammonia and other chemicals made from oil and natural gas.

Management and Directorate

In April 1959, the Board of Directors named me to the position of President, following the resignation of Mr. J. Albert Woods. Also in April, the stockholders elected four new members of the Board of Directors. They are: Mr. William W. Burch, financial advisor to the Jeremiah Milbank interests; Mr. Arthur E.

Palmer, Jr., partner of Winthrop, Stimson, Putnam and Roberts, attorneys; Messrs. P. V. Shields, senior partner, and H. V. Sherrill, partner, of Shields & Co., investment bankers.

At its April 8 meeting, the Board of Directors elected Mr. Jeremiah Milbank, Jr., as Chairman of the Executive Committee. Mr. William S. Leonhardt was named to the position of Financial Vice President. Mr. Leonhardt also continues to serve as Treasurer of the Corporation, a post he has held since 1957.

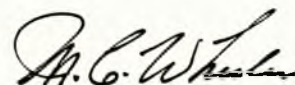
The Role of Research at CSC

The Company regards its research as the prime source of the projects which will enable it to grow in years to come. More emphasis is accordingly being placed on CSC's research activities.

During the year, new programs of scientific and technical inquiry have been formulated and implemented which are balanced with CSC's operations as a whole. They include exploratory work in new fields, as well as the development of new and improved products for the major areas of CSC's business. Other programs provide for studies of present products and processes, with the objectives of enhancing product quality and assuring competitive costs.

Your management looks forward to 1960 as the start of a decade in which the Company will show continuing improvement. We view the future of CSC with confidence and enthusiasm.

Sincerely,



President

February 23, 1960

Consolidated Financial Position

	December 31,	
	1959	1958
CURRENT ASSETS		
Cash	\$ 2,895,774	\$ 6,942,499
U. S. Government and other marketable securities, at cost	8,690,456	2,404,614
Accounts and notes receivable (less allowance for doubtful accounts, 1959—\$448,017; 1958—\$334,972)	13,578,904	10,199,715
Inventories, at the lower of average cost or market		
Finished products and materials in process	9,404,041	9,299,380
Raw materials and supplies	4,093,143	3,923,878
Total Current Assets	<u>38,662,318</u>	<u>32,770,086</u>
LESS CURRENT LIABILITIES		
Accounts payable	3,804,543	4,073,760
Accrued Federal income taxes	3,676,168	1,779,176
Other accrued liabilities	2,258,763	2,191,737
Installment on long-term debt due within one year	1,560,000	1,560,000
Total Current Liabilities	<u>11,299,474</u>	<u>9,604,673</u>
WORKING CAPITAL	<u>27,362,844</u>	<u>23,165,413</u>
INVESTMENTS AND OTHER ASSETS		
Investments (see notes)	1,623,138	2,456,311
Non-current notes receivable	720,000	800,635
Total Investments and Other Assets	<u>2,343,138</u>	<u>3,256,946</u>
FIXED ASSETS		
Land, buildings and equipment, at cost	78,338,029	77,305,510
Less accumulated depreciation, depletion and amortization	43,987,464	40,596,602
Net Fixed Assets	<u>34,350,565</u>	<u>36,708,908</u>
GOODWILL AND PATENTS	1	1
DEFERRED CHARGES	<u>1,032,220</u>	<u>1,222,216</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	65,088,768	64,353,484
LESS LONG-TERM DEBT AND DEFERRED TAXES		
3¾% Notes payable	18,760,000	20,320,000
Deferred Federal income taxes	4,881,600	4,751,700
SHAREHOLDERS' EQUITY	<u>\$41,447,168</u>	<u>\$39,281,784</u>
SOURCE OF SHAREHOLDERS' EQUITY (see notes)		
Common stock—\$1.00 par value		
Authorized—3,000,000 shares		
Issued —2,796,250 shares in 1959; 2,741,422 shares in 1958	\$ 6,752,824	\$ 6,697,996
Additional paid-in capital	4,876,092	4,131,528
Earnings retained in business	29,818,252	28,452,260
	<u>\$41,447,168</u>	<u>\$39,281,784</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Solvents Corporation

Consolidated Earnings and Summary of Earnings Retained in Business

	Year Ended December 31,	
	1959	1958
INCOME		
Net sales	\$70,381,175	\$64,727,548
Other income (net)	1,098,470	613,621
	<u>71,479,645</u>	<u>65,341,169</u>
COSTS AND EXPENSES		
Cost of sales	50,014,038	48,170,006
Selling, research and administrative expenses (including provision for doubtful accounts, 1959—\$556,856; 1958—\$58,496)	9,170,365	8,185,724
Depreciation, depletion and amortization	3,680,229	3,739,761
Interest on borrowings	801,000	859,500
	<u>63,665,632</u>	<u>60,954,991</u>
EARNINGS BEFORE FEDERAL INCOME TAXES AND SPECIAL CHARGE	7,814,013	4,386,178
FEDERAL INCOME TAXES (including deferred taxes—see notes)	4,130,100	2,285,500
EARNINGS BEFORE SPECIAL CHARGE	3,683,913	2,100,678
SPECIAL CHARGE		
Adjustment of carrying value of investments (see notes)	833,173	682,216
NET EARNINGS FOR YEAR (per share \$1.02 in 1959; \$.51 in 1958)	2,850,740	1,418,462
EARNINGS RETAINED IN BUSINESS AT BEGINNING OF YEAR	28,452,260	27,787,711
	31,303,000	29,206,173
DIVIDENDS PAID TO SHAREHOLDERS		
In cash (\$.25 per share in 1959; \$.275 in 1958)	685,356	753,913
In stock (2% — 54,828 shares—at market value of \$14.58 per share)	799,392	—
	<u>1,484,748</u>	<u>753,913</u>
EARNINGS RETAINED IN BUSINESS AT END OF YEAR	<u>\$29,818,252</u>	<u>\$28,452,260</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

Principles of Consolidation. The consolidated financial statements include the accounts of all wholly-owned subsidiaries. The accounts of Comsolmex, S.A., a wholly-owned Mexican subsidiary, have been converted at the current rate of exchange.

Investments. The Corporation's investment in Northwest Nitro-Chemicals Ltd., is carried at December 31, 1959 as follows:

Investment in 52.7% of the common stock, 83.4% of the preferred stock and \$1,000,000 (11.8%) of the subordinate income debentures 5½s, 1965, at cost	\$2,794,223
Non-current amount receivable	667,500
	<u>3,461,723</u>
Less: Adjustment to carrying value (including \$658,173, provided in 1959)	2,075,616
Net carrying value	<u>\$1,386,107</u>

After giving effect to the proposed arrangement described on page 9 of the President's letter, the Corporation's equity in tangible net assets as shown by Northwest's unaudited balance sheet at December 31, 1959 is approximately \$110,000 less than such net carrying value. The Corporation's proportionate share of Northwest's unaudited net losses of \$857,000 and \$1,247,000 for the calendar years 1959 and 1958 was \$101,000 and \$147,000 respectively. No dividends have been received from Northwest.

The Corporation's investment in 33.4% of the shares of Petro-química de Mexico, S.A., is stated at cost, less an adjustment of \$175,000 in 1959 to reduce carrying value.

Other investments are carried at cost.

Long-Term Debt. Notes under the loan agreements entered into with insurance companies are payable in approximately equal annual installments through 1972. The loan agreements provide, among other things, that the Corporation may not declare any dividend, other than stock dividends, in excess of 100% of consolidated earnings (as defined in the agreements) during the years 1951-1957 and 75% thereafter, plus \$2,500,000. The agreements also require that the declaration of such dividends will not reduce the consolidated working capital to an amount less than \$15,000,000. At December 31, 1959 \$3,531,421 of the consolidated retained earnings was free of such restrictions.

Stock Options. At December 31, 1958, options to purchase 45,750 shares at \$21.00 per share were held by certain key executive employees, and 54,250 shares were reserved for options which had not been granted. In 1959, options previously granted for 29,000 shares were terminated, and additional options were granted to purchase 33,900 shares at prices of \$15.50 for 26,500 shares and \$14.50 for 7,400 shares. The option prices were in excess of 95% of the market value of the stock when the options were granted. No options were exercised in 1959. After adjustment for the 2% stock dividend paid in December, 1959, there were outstanding options to purchase 17,085 shares at \$20.59 per share (exercisable until December 31, 1963), 27,030 shares at \$15.20 per share (exercisable on April 9, 1961—expire April 9, 1966), and 7,548 shares at \$14.22 per share (exercisable on November 23, 1961—expire November 23, 1966), and there were reserved 50,337 shares for which options had not been granted.

Shareholders' Equity. As a result of the 2% stock dividend (54,828 shares) paid in December, 1959, common stock was increased by \$54,828 (par value of the shares issued), additional paid-in capital was increased by the excess (\$744,564) of the market value of such shares over par value, and earnings retained in business was reduced by \$799,392.

Price Redetermination. Certain of the Corporation's sales in 1952 and 1953 are subject to price redetermination by the U.S. Government. Provisions for estimated price redetermination refunds, which the Corporation considered adequate, were made in the accounts. However, if government claims and interlocutory administrative decisions, which the Corporation has been contesting, were finally sustained, the net amount refundable would be approximately \$570,000 in excess of the amounts provided to date.

Deferred Federal Income Taxes. In its financial statements the Corporation computes the provision for depreciation and amortization of plant facilities by the straight-line method over estimated useful lives, and amortizes capitalized intangible drilling costs on the unit-of-production method over the estimated recoverable reserves in the respective lease areas. For Federal income tax purposes, however, the portions of plant facilities covered by Certificates of Necessity are amortized over five-year periods, other plant facilities acquired subsequent to 1954 are depreciated by the "declining balance" method, and intangible drilling costs are expensed as incurred. The excess of amortization and depreciation for tax purposes over amortization and depreciation for book purposes results in temporary tax reductions amounting to \$129,900 in 1959 and \$731,000 in 1958 which have been charged against earnings and credited to Deferred Federal income taxes. The amounts so deferred will be taken into earnings in future years when the deductions allowable for tax purposes are correspondingly less than depreciation and amortization provided in the financial statements.

AUDITORS' REPORT

ARTHUR YOUNG & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

165 BROADWAY
NEW YORK 6

The Board of Directors and Shareholders,
Commercial Solvents Corporation:

We have examined the accompanying statement of consolidated financial position of Commercial Solvents Corporation and Subsidiaries at December 31, 1959 and the related statement of consolidated earnings and summary of earnings retained in business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of Commercial Solvents Corporation and Subsidiaries at December 31, 1959 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

February 8, 1960

TEN-YEAR FINANCIAL SUMMARY

(Amounts, other than per share figures, expressed in thousands)

EARNINGS DATA (a)

Year	Net Sales	Depreciation, Depletion and Amortization	NET EARNINGS		Dividends Paid Per Share
			Amount	Per Share	
1950	\$52,630	\$1,451	\$5,579	\$2.04	\$1.25
1951	65,142	1,639	6,099	2.22	1.25
1952	52,875	2,610	1,096 (b) (c)	.40 (b) (c)	1.00
1953	54,824	3,692	2,435 (b)	.89 (b)	1.00
1954	55,154	3,414	2,890 (b)	1.05 (b)	1.00
1955	60,646	3,388	3,681 (d)	1.34 (d)	1.00
1956	62,580	3,261	3,308 (b)	1.21 (b)	1.00
1957	65,932	3,505	1,450	.53	.925
1958	64,728	3,740	1,418	.51 (e)	.275
1959	70,381	3,680	2,851	1.02	.25

(a) For all years combines financial information of Thermatomic Carbon Company which was merged into the Corporation as of April 30, 1957. Comsolmex, S.A., wholly-owned Mexican subsidiary, included as of January 1, 1956.

(b) After allocation of extraordinary items as shown in 1956 Annual Report.

(c) Exclusive of special income credit—net (principally excess profits tax settlement) \$1,107,000—\$.40 per share.

(d) Includes extraordinary net income of \$312,949, or \$.11 per share, from settlement of a lawsuit instituted by the Corporation.

(e) Adjusted to reflect 2% stock dividend issued December 31, 1959.

FINANCIAL POSITION DATA (a)

Dec. 31	Total Assets	WORKING CAPITAL			PLANT AND EQUIPMENT			Shareholders' Equity
		Current Assets	Current Liabilities	Working Capital	Cost	Accumulated Reserve	Long-Term Debt	
1950	\$45,230	\$24,990	\$ 6,948	\$18,042	\$35,722	\$17,484	\$ —	\$36,107
1951	59,784	36,103	9,389	26,714	40,270	19,009	10,000	39,193
1952	69,820	37,183	5,199	31,984	51,596	21,274	25,000	38,579
1953	70,526	31,032	6,604	24,428	62,398	24,824	25,000	38,197
1954	72,641	34,769	7,913	26,856	64,147	28,108	25,000	38,270
1955	74,706	34,934	8,304	26,630	67,786	30,930	25,000	39,134
1956	76,850	36,407	10,715	25,692	71,485	33,910	23,440	39,712
1957	73,460	30,358	8,942	21,416	76,277	37,214	21,880	38,617
1958	73,958	32,770	9,605	23,165	77,306	40,597	20,320	39,282
1959	76,388	38,662	11,299	27,363	78,338	43,987	18,760	41,447



PLANTS

Agnew, Calif.
Harvey, La.
Newark, N. J.
Peoria, Ill.
Sterlington, La.
Terre Haute, Ind.

SALES OFFICES

Atlanta, Ga.
Boston, Mass.
Chicago, Ill.
Cincinnati, Ohio
Cleveland, Ohio
Detroit, Mich.
Kansas City, Mo.
Los Angeles, Calif.
Newark, N. J.
New Orleans, La.
New York, N. Y.
St. Louis, Mo.
San Francisco, Calif.

Commercial Solvents Corporation

COMMERCIAL SOLVENTS CORPORATION



Annual Report

1960



Louisiana Gas Production Company has completed construction of gas gathering facilities and the laying of an additional pipeline from Monroe Gas Field in northern Louisiana to CSC plants at Sterlington, La. Photograph shows pipeline installation across the Ouachita River.

41st

Annual Report

1960



**COMMERCIAL
SOLVENTS
CORPORATION**

GENERAL OFFICES:

**260 Madison Avenue
New York 16, New York**

**BOARD OF
DIRECTORS**

MONROE C. GUTMAN*
HARRY C. HAGERTY
AUSTIN S. IGLEHEART*
ARTHUR B. LAWRENCE
G. HILMER LUNDBECK
JEREMIAH MILBANK, JR.*
(Chairman, Executive Committee)
ARTHUR E. PALMER, JR.
CARL F. PRUTTON
H. V. SHERRILL*
MAYNARD C. WHEELER*

**Member of Executive Committee*

OFFICERS

MAYNARD C. WHEELER, *President*
J. FRED DUDLEY, *Vice President*
W. WARD JACKSON, *Vice President*
WILLIAM S. LEONHARDT, *Vice President & Treasurer*
GRAHAM W. McMILLAN, *Vice President*
ANTHONY H. BRAUN, *Acting Controller*
ALEXANDER R. BERGEN, *Secretary*

**TRANSFER
AGENT**

CHEMICAL BANK NEW YORK TRUST COMPANY
30 Broad Street, New York 15, N. Y.

REGISTRAR

THE CHASE MANHATTAN BANK
40 Wall Street, New York 15, N. Y.

**ANNUAL
MEETING**

The annual meeting of shareholders will be held on April 6, 1961. A notice of the meeting, proxy statement and form of proxy will be sent to all shareholders shortly. It will assist the management in preparing for the meeting if shareholders who do not expect to attend the meeting in person will sign, date and return the proxy promptly.

HIGHLIGHTS

	1960	1959	% Change
Net Sales	\$62,337,053*	\$70,381,175*	-11*
Federal, State and other taxes	\$ 6,029,410	\$ 4,754,417	+27
Net Earnings	\$ 4,839,815	\$ 2,850,740	+70
Per share of stock	\$1.70	\$1.00†	+70†
Dividends Paid			
In cash	\$ 1,398,125	\$ 685,356	+104
Per share of stock	\$.50	\$.25	+100
In stock	2%	2%	
Land, buildings, equipment, etc., additions:			
Expenditures during the year	\$ 2,334,094	\$ 1,352,421	
Authorized but not expended	\$ 1,591,000	\$ 249,000	
Working capital at end of year	\$29,938,995	\$27,362,844	
Long-term debt	\$17,200,000	\$18,760,000	
Number of employees at end of year	1,971	2,036	
Wages and salaries	\$11,480,373	\$11,680,749	
Cost of pension and other benefits	\$ 1,005,545	\$ 1,051,846	
Assets employed for each employee	\$40,368	\$37,519	
Number of shareholders at end of year	17,917	17,158	
Number of shares outstanding	2,852,175	2,796,250	
Shareholders' equity	\$44,888,858	\$41,447,168	
Per share of stock outstanding	\$15.74	\$14.53†	

*Net sales were \$61,837,691 and \$60,908,558 in 1960 and 1959, respectively, an increase of 1.5% after eliminating sales of anti-freeze marketing division which was sold in June 1960.

†Adjusted to reflect 2% stock dividend issued December 30, 1960.

THE PRESIDENT'S LETTER



M. C. Wheeler

Net earnings for 1960 rose sharply to \$1.70 per share as the return on investment in the Company continued its improvement pattern of the past two years. This compares with \$1.00 per share for 1959. These are the highest net earnings since 1951. The rise of 70 cents per share over last year is the largest annual earnings increase in a decade.

Cash dividends paid in 1960 to CSC shareholders were double the previous year. Again in 1960, shareholders received a two percent stock dividend.

The Company's earnings emphasis program moved forward through the sale in June, 1960, of marginal antifreeze marketing operations, and through adjustments to Canadian affiliated operations which eliminated charges against CSC earnings. Considerable progress was made toward lower cost operations and an integrated position for chemicals made from natural gas. The Company's competitive ability advanced through an operations improvement program which continues into the new year. Pharmaceuticals and overseas operations were extended through the acquisition of major interests in two affiliated Italian drug companies.

FINANCIAL SUMMARY

Net earnings for the year were \$4,839,815 as compared with \$2,850,740 in 1959. Earnings per share for each period are based on the 2,852,175 shares outstanding after giving effect to the stock dividend paid in 1960.

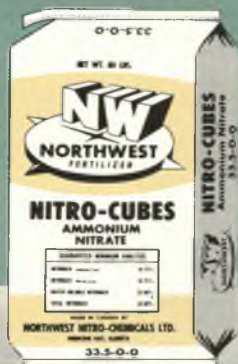
Sales in 1960 totaled \$62,337,053, a decrease of \$8,044,122 from the prior year's sales. However, after adjusting for the sales attributable

to antifreeze marketing operations which were sold during the year, sales of the other Company divisions showed an increase of 1.5 percent from \$60,908,558 in 1959 to \$61,837,691 in 1960.

Net earnings in 1960 are after deduction of \$265,888, or nine cents per share, representing additional provision required to meet final settlement of U. S. Government claims on certain of the Company's sales in 1952 and 1953 which were subject to price redetermination. Agreement on final settlement was reached in late 1960 and payments of all amounts due will be made in 1961. It was not necessary to make deductions from 1960 earnings to adjust the carrying value of the Company's investments in its Canadian and Mexican affiliates. In 1959, these deductions amounted to \$833,173, or 29 cents per share. Provision for accounts receivable, considered to be non-collectible, was substantially decreased in 1960 to \$131,888 from \$556,856 in 1959.

Dividends totalling \$1,398,125, or 50 cents per share, were paid during 1960 on common stock outstanding, in addition to the two percent stock dividend mentioned above. A reduction of \$1,560,000 was made in the long-term debt of the Company.

Inventories at year-end were \$10,452,495, a decrease of \$3,044,689 from the prior year. Elimination of antifreeze and automotive chemicals inventories accounted for the decrease. Working capital was \$29,938,995 at year-end, an increase of \$2,576,151 during the year. Depreciation, depletion and amortization in 1960 was \$3,648,899 as against \$3,680,229 for 1959.



Northwest Nitro-Chemicals Ltd., Medicine Hat, Alberta, Canada.
This fertilizer plant produces ammonium phosphate,
ammonium phosphate-sulphate, and ammonium nitrate.



Hoffmann-Lampis S.p.A., and FIART S.p.A.,
Rome, Italy are affiliated in the manufacture
and distribution of packaged ethical pharmaceuticals.



Louisiana Gas Production
Company supplies both the
Commercial Solvents Corporation
and Thermatomic Units
at Sterlington, Louisiana.



STATEMENT OF PROGRESS TOWARD MAJOR OBJECTIVES

CSC's ability to meet the challenge of increasing competition at home and abroad was sharpened as the result of a company-wide cost and profit improvement program which received the full support of all employees. Productivity rose throughout the Company. Adjustments within the sales organization improved customer service and raised marketing efficiency. Operating improvements led to better production. This program continues into the new year.

The expansion of the drilling and extracting operations of the Louisiana Gas Production Company Division has moved CSC closer to its goal of achieving an integrated position for products made from natural gas at the Sterlington, Louisiana, plants. Over the long term, this program can be expected to hold gas costs to a minimum in the face of steadily rising prices being charged by suppliers. During 1960, Louisiana Gas drilled 43 wells. Every one is a producer. The construction of a larger gas-gathering pipeline was completed early in 1961. The drilling of new wells and the extension of the gas-gathering system continues into 1961. The goal of these operations is to supply a major percentage of CSC's gas needs.

On June 1, 1960, the Company sold its antifreeze marketing operations to the Houston Chemical Corporation. For several years the return on investment in this area of the business had not been satisfactory due to a major shift in public preference from methanol base antifreeze to the so-called permanent type, in which the principal ingredient is ethylene glycol. CSC is a basic manufacturer of methanol. The Company does not make ethylene glycol. The sale to Houston included inventories, patents, know-how, and trademarks. In 1959, antifreeze products accounted for 13 percent of CSC total sales. The proceeds of the sale, which are receivable over a period of six years, together with the release of additional working capital, enhances the Company's ability to aggressively pursue its acquisition and capital expenditures programs.

The acquisition of 80 percent of the ownership

of Hoffmann-Lampis, S.p.A., and FIART, S.p.A., affiliated Italian drug firms, marks the re-entry by Commercial Solvents into the packaged ethical pharmaceuticals field. This action extends the Company's European pharmaceuticals operations and ties in with our domestic production of antibiotics and vitamins. The two Italian firms have offices and laboratories in Rome. They formulate and distribute antibiotics, vitamins, hormones and cardiovascular preparations throughout Italy.

At Northwest Nitro-Chemicals Limited, the Company's Canadian agricultural chemical affiliate, a number of management, financial and marketing changes were made during the year. This has helped to position Northwest for profitable growth. The much improved earnings picture at Northwest has enabled CSC to discontinue deductions from its earnings for purposes of adjusting the carrying value of CSC's investment in Northwest. With the sanction of the Supreme Court of Alberta, Canada, a plan which alters certain aspects of Northwest's capitalization and adjusts some of its obligations has been put into effect. CSC's holdings of Northwest common stock were reduced from 52.7 to 45.1 percent of the total shares outstanding.

Looking to the future, the Company has formed a new subsidiary, CSC International Limited, to handle various aspects of its foreign operations. In addition to serving as CSC's world trade arm, the international company will be concerned with our continuing search for new products and processes and the investigation and development of new ventures.

Commercial Solvents is entering 1961 with an improved ability to meet the problems of rising costs and stiffening competition, as well as the uncertainties of these changing times. The Company's long term objective is the further broadening of profitable operations through the investment of generated funds in new and improved products and processes, in acquisitions, joint ventures and in capital expansion programs. Domestic and international activities focused on this objective are currently under way.

REVIEW OF OPERATIONS—1960

METHANOL OPERATIONS—This basic chemical and its derivatives continued to be an important source of Company sales and earnings. Sales were at a high level and production was maintained at capacity. Export sales continued at levels established in the previous year. Commercial Solvents is a pioneer in methanol production and is today the nation's leading marketer of this widely used material. More than 30 years ago, the Company was the first to make and market synthetic methanol made from natural gas.

Process improvements substantially increased the production of profitable derivatives without diverting additional quantities of methanol for this purpose. Methylamines sales advanced as increased quantities became available for marketing. A substantial portion of methylamines production was further upgraded for use in animal nutrition products and other chemicals.

NITROGEN OPERATIONS—The farmer's expanding use of CSC nitrogen plant foods increased the contribution of these operations to sales and earnings. Products in this group sold at slightly higher prices throughout the 1960 fertilizer season. Growing customer acceptance and broadened distribution accelerated the marketing of Hi-D solid ammonium nitrate. Sales of anhydrous ammonia for direct application to the soil continued at substantial levels.

Dri-Sol, a new kind of nitrogen solution for makers of mixed fertilizers, was introduced in March. Its use reduces fertilizer manufacturing costs and production problems. Dri-Sol is a patented development of the research department and is made exclusively by CSC.

NITROPARAFFINS OPERATIONS—The formation of a separate nitroparaffins marketing organization gave greater support to this large chemical group. Marketing results are encouraging. These diversified and useful products are the subject of continuing emphasis.

ANTIBIOTIC AND VITAMIN OPERATIONS—Bulk sales of cycloserine and bacitracin, CSC-produced antibiotics, sold in increased volume to the pharmaceutical trade during the year.

Sales of zinc bacitracin antibiotic products

to the animal feeds industry advanced in a highly competitive market. An expanded marketing program was launched to broaden sales of these items for animal nutrition use. This effort continues into the new year.

Silotracin, the zinc bacitracin product for the palatable preservation of silage, was well received following its introduction early in the year. The outlook for increased sales is good.

Sales of choline chloride rose as animal nutritionists recommended greater use of this fat metabolism vitamin in swine and poultry feeds. Greater production was made possible through the increased output of trimethylamine, the methanol derivative which is choline's raw material.

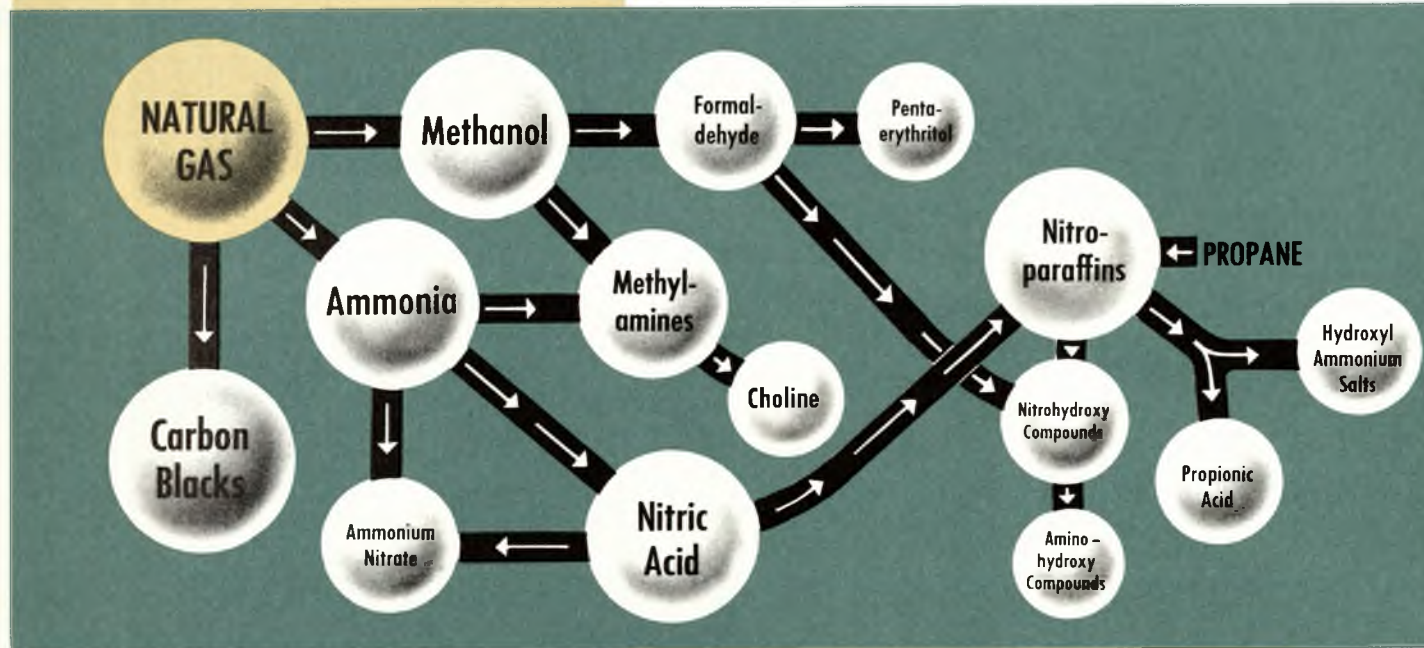
THERMAL CARBON BLACK OPERATIONS—The Thermatomic Carbon Division again increased its contribution to Company earnings through the production and sale of thermal carbon blacks in powder and pelletized forms. These products are made from natural gas. They are used primarily in the manufacture of molded and extruded rubber goods. Sales are worldwide. The use of Thermatomic products in the manufacture of certain types of plastic pipe continues to be interesting.

AFFILIATED OPERATIONS—Northwest Nitro-Chemicals Ltd. results for 1960 showed marked improvement. Major changes in operating policies were reflected in earnings of \$1,188,000, as compared with adjusted loss of \$20,000 for 1959. No deductions from 1960 earnings were required for Canadian income tax purposes. Sales for 1960 were \$10,666,000, an improvement of 21 percent over the previous year's figure of \$8,818,000.

Experienced management and sales personnel have been recruited from the Commercial Solvents organization and placed in charge of Northwest's operations. A new marketing program is directing Northwest's production of high analysis chemical fertilizers into areas of greater sales and profit potential in the United States and Canada.

In support of these operations, Commercial Solvents has entered into a service agreement with Northwest which makes CSC specialists available to the Canadian company. Payment

CSC **NATURAL GAS**
PRODUCTS



NATURAL GAS is the major raw material at CSC.
It is also used for fuel.

Carbon Blacks in powder and pelletized forms
are produced by the thermal process.

Methanol and Derivatives are an important group;
these include methanol, methylamines, cho-
line, formaldehyde and pentaerythritol.

Nitrogen Products made by CSC are Hi-D® Am-
monium Nitrate Fertilizer, anhydrous ammonia,
and nitrogen solutions sold under the trade
names of DRI-SOL® and Dixsol®.


Nitroparaffins and Derivatives consist of four
basic products . . . nitromethane, nitroethane,
1-nitropropane and 2-nitropropane . . . from
which numerous derivatives are made.



Section of ammonia plant

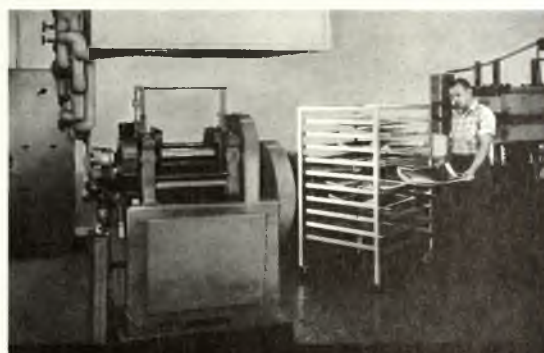


RESEARCH AND DEVELOPMENT



A black and white photograph showing a row of tall, cylindrical silos in a rural setting. Several cows are grazing in the foreground, and a tractor is visible on the left.


SILOTRACIN—first commercial use of an antibiotic for silage preservation. During 1960, this zinc bacitracin product sold under the trade name of **SILOTRACIN**, proved effective in all types of silos.



Theratomic Carbon Company laboratory at Sterlington, Louisiana which contains the latest rubber testing equipment. An expanded research program has facilitated the testing and improvement of present products and the evaluation of new products.



A typical laboratory in the CSC main Research Center at Terre Haute, Indiana. Chemical process development is an important part of the research program.



A black and white photograph of industrial fermentation facilities. Large, cylindrical tanks are visible, with pipes and structural elements surrounding them. A person is standing near one of the tanks.

Process improvement work, conducted by the research department, results in higher yields, increased plant capacities, and reduced costs.

CSC fermentation facilities used for the development of biochemical processes.



to CSC for services rendered is based on the actual time of personnel involved. A previous management contract between the two companies has been cancelled. Northwest is discharging its indebtedness to Commercial Solvents of \$667,500 under the terms of the cancelled contract over a period of five years starting in 1961.

These changes, together with the restructuring of Northwest's finances, have provided a sound foundation for constructive growth over the long term.

THE PEOPLE OF CSC

In 1960, the number of investors in Commercial Solvents Corporation rose to 17,917. The Board of Directors and the management welcome this broadening of the Company's ownership and the growing faith in CSC's prospects which it represents.

Throughout 1960, employees functioned smoothly as a team in the effective pursuit of Company objectives. They were quick to grasp the need for immediate action and were ready to assume new duties whenever called upon.

Three distinguished members of the American business community were elected to CSC's Board of Directors. They are Mr. Harry C. Hagerty, Vice Chairman of the Board of the Metropolitan Life Insurance Company and a respected authority on corporate finance; Dr. Carl F. Prutton, a Director of Food Machinery and Chemical Corporation, who is widely known for his leadership in the fields of chemistry and chemical engineering; and Mr. G. Hilmer Lundbeck, Resident Director of the Swedish American Line, who brings to the Company broad executive experience in international business matters.

The Company records with sorrow the untimely passing of William Weldon Burch, a member of the Board of Directors since April, 1959. In the relatively brief time that he served on the Board, Mr. Burch gave generously of his wisdom and experience. He served the Company and its stockholders faithfully and well.

RESEARCH AT CSC

The Company's research program is functioning as one of management's major arms in supporting current operations and in extending the Company's prospects through the development of new products and processes.

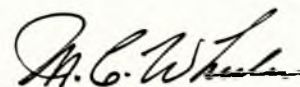
In concert with CSC marketing, production and engineering groups, the research staff is engaged in a continuing review of current operations to improve technology and expand product usefulness. Research projects relating to all product groups are now under way.

The long range investigatory and explorative phases of the research effort have been intensified to meet the requirements of the Company's accelerated growth and expansion program. CSC's scientists are conducting a world-wide quest to identify and analyze additional areas of chemistry wherein the Company can establish sound and profitable operations. Through research the Company looks to the uncharted areas of the future, and to the requirements of man, for ways in which chemistry can better meet our changing needs.

The nation's business has entered a critical and challenging period. At the same time that it is poised for significant growth and expansion, it is confronted with highly competitive and even hostile factors which could interfere with our country's progress. There is immediate need for consumers, all levels of business and the government to demonstrate the faith and the confidence in the American free enterprise system which is justified by its soundness and by its continuing contribution to the improvement of our standard of living.

During the next five years CSC will demonstrate its confidence by investing considerably more in capital expansion programs than it has during the past five years.

The outlook for 1961 presents interesting problems. It also includes exciting opportunities for business progress. We at Commercial Solvents Corporation intend to make the most of these opportunities.



President

February 27, 1961



CONSOLIDATED FINANCIAL POSITION

	December 31,	
	1960	1959
CURRENT ASSETS		
Cash	\$ 3,212,852	\$ 2,895,774
U. S. Government and other marketable securities, at cost	15,107,959	8,690,456
Accounts and notes receivable (less allowance for doubtful accounts, 1960—\$396,831; 1959—\$448,017)	11,887,888	13,578,904
Inventories, at the lower of average cost or market		
Finished products and materials in process	6,851,038	9,404,041
Raw materials and supplies	3,601,457	4,093,143
Total Current Assets	<u>40,661,194</u>	<u>38,662,318</u>
LESS CURRENT LIABILITIES		
Accounts payable	2,594,331	3,804,543
Accrued Federal income taxes	3,635,277	3,676,168
Other accrued liabilities	2,932,591	2,258,763
Installment on long-term debt due within one year	1,560,000	1,560,000
Total Current Liabilities	<u>10,722,199</u>	<u>11,299,474</u>
WORKING CAPITAL	<u>29,938,995</u>	<u>27,362,844</u>
INVESTMENTS AND OTHER ASSETS		
Investments (see notes)	2,222,368	955,638
Non-current accounts and notes receivable	2,557,500	1,387,500
Total Investments and Other Assets	<u>4,779,868</u>	<u>2,343,138</u>
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, equipment, etc., at cost	80,425,024	78,338,029
Less accumulated depreciation, depletion and amortization	47,464,550	43,987,464
Net Property, Plant and Equipment	<u>32,960,474</u>	<u>34,350,565</u>
GOODWILL AND PATENTS	<u>1</u>	<u>1</u>
DEFERRED CHARGES	<u>1,164,020</u>	<u>1,032,220</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>68,843,358</u>	<u>65,088,768</u>
LESS LONG-TERM DEBT AND DEFERRED ITEMS		
3¾% Notes payable	17,200,000	18,760,000
Deferred Federal income taxes	5,004,500	4,881,600
Deferred income (see notes)	1,750,000	—
SHAREHOLDERS' EQUITY	<u>\$44,888,858</u>	<u>\$41,447,168</u>
SOURCE OF SHAREHOLDERS' EQUITY (see notes)		
Common stock—\$1.00 par value		
Authorized—6,000,000 shares		
Issued—2,852,175 shares in 1960; 2,796,250 shares in 1959	\$ 6,808,749	\$ 6,752,824
Additional paid-in capital	5,964,952	4,876,092
Earnings retained in business	32,115,157	29,818,252
	<u>\$44,888,858</u>	<u>\$41,447,168</u>

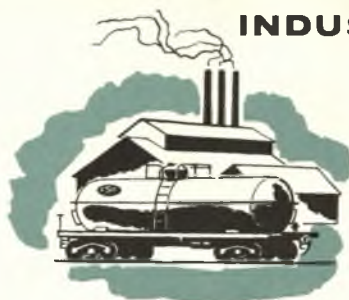
SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SOLVENTS CORPORATION

CONSOLIDATED EARNINGS AND SUMMARY OF EARNINGS RETAINED IN BUSINESS

	Year Ended December 31,	
	1960	1959
INCOME		
Net Sales	\$62,337,053	\$70,381,175
Other income (net)	<u>2,056,465</u>	<u>1,098,470</u>
	<u>64,393,518</u>	<u>71,479,645</u>
COSTS AND EXPENSES		
Cost of sales	41,183,675	50,014,038
Selling, research and administrative expenses (including provision for doubtful accounts, 1960—\$131,888; 1959—\$556,856)	8,490,741	9,170,365
Depreciation, depletion and amortization	3,648,899	3,680,229
Interest on borrowings	<u>742,500</u>	<u>801,000</u>
	<u>54,065,815</u>	<u>63,665,632</u>
EARNINGS BEFORE FEDERAL INCOME TAXES AND SPECIAL CHARGE	<u>10,327,703</u>	<u>7,814,013</u>
FEDERAL INCOME TAXES	<u>5,222,000</u>	<u>4,130,100</u>
EARNINGS BEFORE SPECIAL CHARGE	<u>5,105,703</u>	<u>3,683,913</u>
SPECIAL CHARGE		
Additional provision for agreed Price Redetermination refunds on prior years' sales to the U. S. Government	265,888	—
Adjustment of carrying value of investments	<u>—</u>	<u>833,173</u>
NET EARNINGS FOR YEAR (per share \$1.70 in 1960; \$1.00 in 1959)	<u>4,839,815</u>	<u>2,850,740</u>
EARNINGS RETAINED IN BUSINESS AT BEGINNING OF YEAR	<u>29,818,252</u>	<u>28,452,260</u>
	<u>34,658,067</u>	<u>31,303,000</u>
DIVIDENDS PAID TO SHAREHOLDERS		
In cash (\$.50 per share in 1960; \$.25 in 1959)	1,398,125	685,356
In stock (2%—55,925 shares at market value of \$20.47 per share in 1960; 54,828 shares at market value of \$14.58 per share in 1959)	<u>1,144,785</u>	<u>799,392</u>
	<u>2,542,910</u>	<u>1,484,748</u>
EARNINGS RETAINED IN BUSINESS AT END OF YEAR	<u>\$32,115,157</u>	<u>\$29,818,252</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



INDUSTRIAL CHEMICALS

CSC has played an increasingly active role as a manufacturer and marketer of large-volume chemicals. Included in this list are methanol, ammonia, ethyl alcohol, butanol, methylamines, formaldehyde and pentaerythritol. CSC's position in being able to produce chemicals by synthetic (natural gas) and biochemical (fermentation) processes, makes it possible to select the most economical production method.



NITROPARAFFINS

The importance of this unique family of chemicals was demonstrated by the creation of a separate sales department in 1960. The Nitroparaffins include the four basic NP's (2-Nitropropane; 1-Nitropropane; Nitromethane; Nitroethane), the Aminohydroxy Compounds, the Nitrohydroxy Compounds, the Hydroxylamines, and Oxazolines. All are widely used in protective coatings, plastics, rubber, textiles, chemical intermediates, etc.



AGRICULTURAL CHEMICALS

To satisfy agriculture's big-tonnage appetite for nitrogen plant food, Commercial Solvents supplies fertilizer manufacturers with nitrogen solutions (Dri-Sol® and Dixsol®), anhydrous ammonia, aqua ammonia, and Hi-D® Ammonium Nitrate Fertilizer. Hi-D is a granular material produced by a patented CSC process. Products made for pesticide formulators are Dilan®, ethyl formate, and metaldehyde.

CSC PRODUCT REVIEW



PHARMACEUTICALS

These CSC products are supplied to pharmaceutical companies who market them under their own label. A CSC milestone was its development of the deep-tank fermentation method for making bacitracin, which made commercial production of this important antibiotic possible. Newest CSC antibiotic is cycloserine, used in the treatment of tuberculosis. Other products are anti-enzymes, riboflavin, and ethyl alcohol.



ANIMAL NUTRITION PRODUCTS

CSC supplies the feed manufacturing industry with ingredients that help produce better broilers, laying hens, turkeys, hogs, sheep and cattle. Bacifer®m, a zinc bacitracin antibiotic, is widely used in animal and poultry feeds. Vitamin feed supplements include riboflavin (B·Y®-16 and B·Y®-21), vitamin B₁₂, choline chloride and fermentation solubles. During 1960, Silotracin (zinc bacitracin) was introduced as a silage preservative.



THERMATOMIC CARBON PRODUCTS

Thermal-type carbon blacks are produced by Thermoatomic Carbon Company, a division of CSC. Marketed under the trade names of Thermax® and P-33®, they are available in both powder form and dustless, free-flowing pellets. Products are used in the manufacture of a wide variety of mechanical rubber goods, such as molded materials, tubing, gaskets and floor mats, many of which are utilized by the automobile industry.